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FINANCIAL TIMES

Start the week with...

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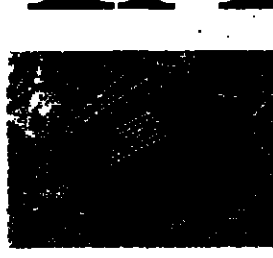


Michael Prowse
America's minimum wage debate
Page 16

Media futures
Debrett puts UK élite on CD-Rom
Tim Jackson, Page 13

World Business Newspaper   MONDAY APRIL 1 1996

China cuts tariffs by a third to boost bid to join WTO

China introduces tariff cuts on about 5,000 items today amid confusion over continuing quota restrictions on some agricultural imports. Beijing is cutting average tariffs by more than a third in its efforts to bolster its bid to join the World Trade Organisation. China is also removing the tax exemption on capital equipment imports for foreign-funded joint ventures. Page 18; Brittan looks ahead to fresh trade round, Page 4; Sharp frosts still threaten China-US links, Page 5

European car prices 'need 20% cut': European car prices need to be cut by at least 20 per cent if Europe's carmakers are to avert a consumer rebellion, according to a team of UK dealers which visited the US to investigate prices. Page 18

German bank to increase lending in UK: IKB Deutsche Industriebank, German bank specialising in long-term loans to medium-size companies, is planning a large expansion in the UK. Page 6

Banco di Napoli reports worst result: Banco di Napoli reported a net parent company loss of L3,115bn ($1.97bn) in 1995, after writing down nearly L3,000bn of bad debts. *It is the worst result reported by an Italian bank.* Page 19; Lex, Page 18

Hong Kong protest over Legco plans: Several hundred people protested in Hong Kong against Beijing's plans to replace the territory's elected legislature. Thousands queued to beat a deadline for applications for British Nationals Overseas passports. Page 5

Giscard's successor picked: France's UDF federation, junior partner in the ruling coalition, elected former defence minister François Léotard to be its president. He replaces Valéry Giscard d'Estaing. Page 2

ABN Amro and BZW buy into Mediaset: ABN Amro, the Dutch banking group, and BZW, the investment banking division of Barclays Bank of the UK, have bought stakes in Mediaset, the Italian media group controlled by Silvio Berlusconi, ahead of its flotation. Page 21

Cunard plans $23m refit for QE2: Cunard, the lossmaking cruise line and subsidiary of Trafalgar House, is planning a £15m ($22.8m) refit for the liner QE2 less than two years after a botched overhaul forced the company to pay £7.5m in compensation to passengers. Page 20

Portugal's opposition leader chosen: Portugal's Social Democratic party elected liberal intellectual Marcelo Rebelo de Sousa to head the centre-right party as it struggles to adapt to opposition after 14 years in government. Page 2

Postbank nears deal with Deutsche Post: The German government is confident it can persuade Postbank, the postal savings bank, to pay about DM1.2bn ($800m) annually for the use of post offices belonging to Deutsche Post. The move will end long negotiations between the two groups being prepared for privatisation. Page 19

Total seeks to cut refining capacity: French oil company Total is keen to reduce its refining capacity as part of a co-operative effort with other oil companies to cut the number of surplus refineries in western Europe. Page 19

Teva chief faces tax charges: Israeli shares closed lower following a decision by the Jerusalem District Attorney's Office to file tax evasion charges against the president of Teva Pharmaceutical Industries. *Eli Hurvitz. Buying opportunity,* Page 27

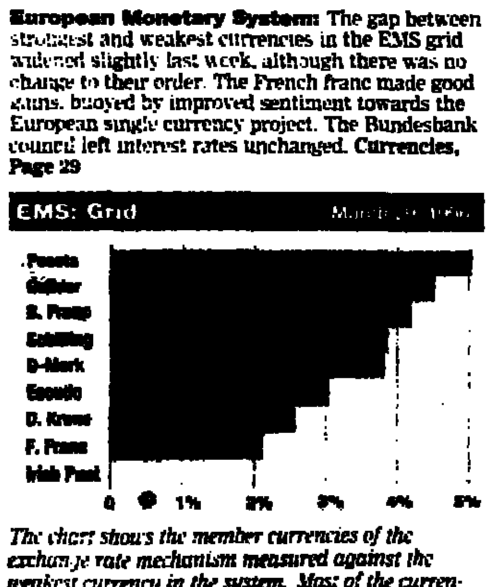
Kirch plans TV expansion: German media group Kirch plans to launch nine film channels as part of its bid to establish leadership in German pay-television over a rival group consisting of Bertelsmann, BSkyB, Canal Plus and France's Havas. Page 25; Lex, Page 18

Hopes fade for Fokker: Receivers for bankrupt Dutch aircraft maker Fokker are talking to potential bidders, but the chances that the company can be resurrected as a fully-fledged aircraft manufacturer are fading. Page 22

Hill wins in Brazil: Damon Hill of the UK, driving a Williams, won the Brazilian grand prix. It was his second consecutive win in the 1996 world championship and extended his lead to 14 points. Jean Alesi in a Benetton was second. Ferrari's double world champion Michael Schumacher was third.

European Monetary System: The gap between strongest and weakest currencies in the EMS grid widened slightly last week, although there was no change to their order. The French franc made good gains, buoyed by improved sentiment towards the European single currency project. The Bundesbank council left interest rates unchanged. **Currencies, Page 29**

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Plan to slaughter older cows and herds repeatedly infected with BSE

EU to back cull of British herds

By James Harding and Alison Maitland in London, and Caroline Southey in Brussels

The UK government today expects to win the support of European agriculture ministers for a plan to slaughter herds of cattle infected with BSE, or mad cow disease, as a first step towards repealing the worldwide ban on British beef.

The proposal, agreed by Mr Douglas Hogg, UK agriculture minister, and Mr Franz Fischler, EU agriculture commissioner, on Friday, would include an immediate programme of slaughtering herds with a regular recorded incidence of BSE, and the destruction of older cattle.

European Union funds could meet up to 70 per cent of the costs of the programme, estimated at £200m ($304m) for the selective slaughter programme and £400m-£600m for the destruction of cows at the end of their productive lives.

The UK government believes the Commission's support for the package and the commitment from European leaders to offer financial support over the weekend will be enough to secure an endorsement from agriculture ministers meeting in Luxembourg today.

But EU officials warned that Mr Hogg would have to persuade the other 14 ministers about the effectiveness of the UK's proposals. "He will have to negotiate with them. Agreement will partly depend on what conditions the other ministers demand," one official said.

The details of the package, which if successful would be unveiled by Mr Hogg in a House of Commons statement tomorrow, go beyond what was expected by many UK farmers.

It is understood that Mr Fischler welcomed the proposals from the National Farmers' Union of England and Wales to remove BSE from the food chain by destroying older dairy cows.

However, he pressed for selective slaughter of herds with repeated cases of BSE in order to reduce the weekly register of infected cattle and restore public confidence swiftly.

An alliance representing about 27,000 small British and Irish farmers yesterday urged the slaughter of all herds with BSE, saying other European member states were likely to demand nothing less. The Irish and French pursue such a policy in cases of BSE.

EU farm ministers will want assurances that a slaughter campaign and accompanying measures will be enough to overcome consumer fears about BSE and restore public confidence in beef. EU officials warned against expectations of an early lifting of the export ban. The widely held view in continental Europe is that BSE is "99 per cent a British problem".

Mr Fischler and Mr Hogg are due to meet this morning, before the full agriculture council this afternoon, to finalise plans.

There was further confirmation yesterday that the Commission would provide financial assistance. Sir Leon Brittan, the UK's senior Commissioner in Brussels, said: "We are talking about real, serious European contributions to whatever it costs." UK retailers and burger chains are looking for substantial measures to allay public panic about beef.

Farmers demand support, Page 6
Deadly agents, Page 16
Letters, Page 16

Russian president aims to end 15-month conflict threatening his re-election

Yeltsin calls off military offensive in Chechnya

By John Thornhill in Moscow and Bruce Clark in London

President Boris Yeltsin announced a halt to Russia's military offensive in Chechnya last night, in a bid to resolve the 15-month conflict which has jeopardised his chances of being re-elected.

However, General Vyacheslav Tikhomirov, commander of the Russian forces in Chechnya which have conducted a ruthless bombing campaign in recent weeks, said it was not realistic to expect fighting to end immediately.

Mr Yeltsin, in a change of policy, said he was prepared to negotiate with Mr Dzhokhar Dudayev, the Chechen rebel leader, and reconsider the status of the Chechen republic.

He also named Mr Victor Chernomyrdin, the prime minister, as head of a new committee which would co-ordinate the effort to reach a settlement.

The renewed prominence of Mr Chernomyrdin, who has always advocated a softer Russian policy towards Chechnya, suggested that Mr Yeltsin is paying more attention to advice from reformers.

Mr Yeltsin described Chechnya as "Russia's biggest problem" and said a gradual withdrawal of troops from "quiet regions" of the republic would begin.

Russian forces in the region have recently attempted to establish "zones of peace" by demanding the withdrawal of rebel forces from selected areas and bombing them heavily if they refuse.

Mr Yeltsin said he would ask Russia's parliament to grant an amnesty to Chechen fighters, except those who had committed "grave common-law crimes".

The policy overlaps heavily with proposals put forward by President Mintimer Shaimiyev of Tatarstan and endorsed in The Hague last week by several senior Russian moderates.

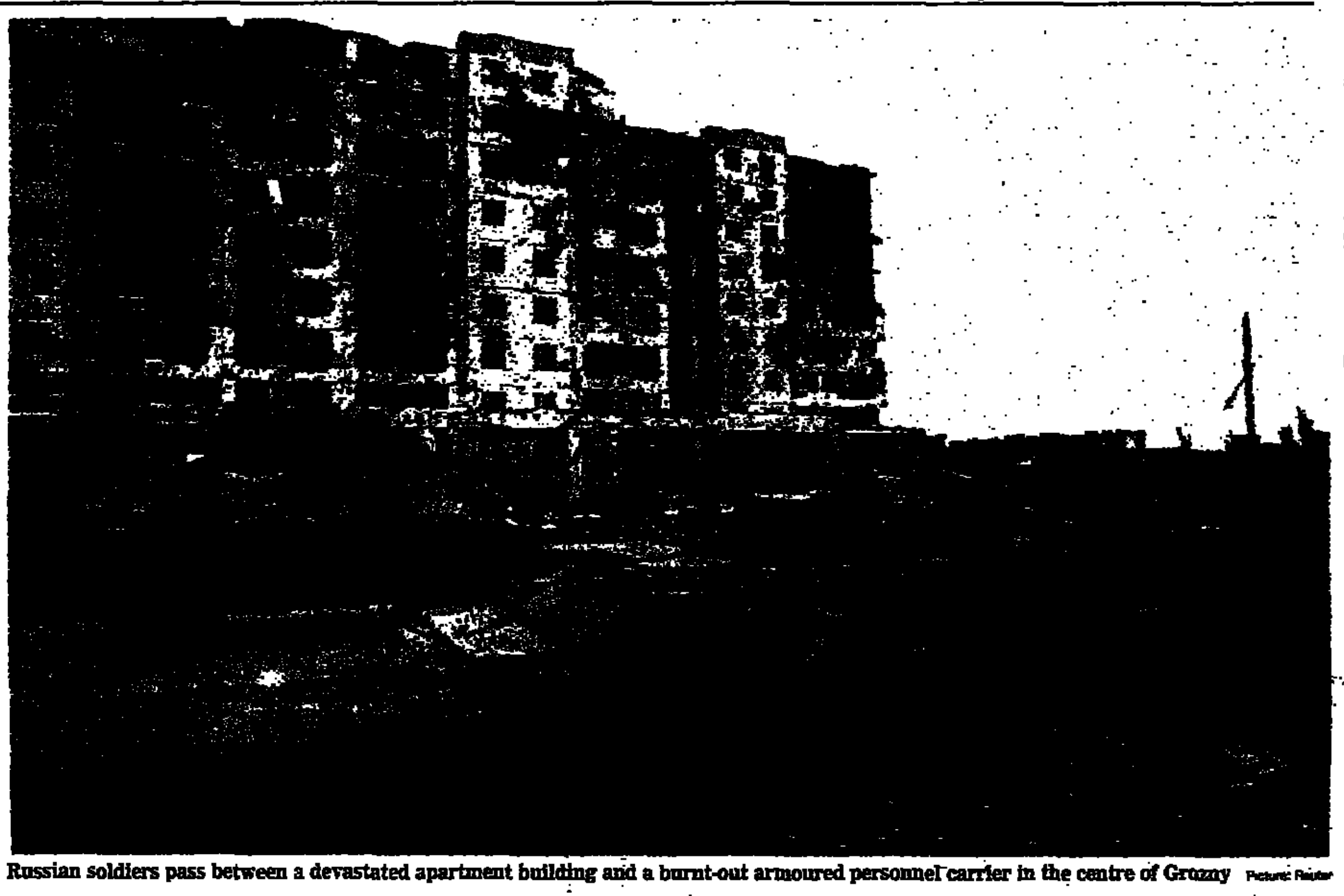
Mr Shaimiyev wants Chechnya to follow his own territory's example by formally declaring full independence and then agreeing to delegate some powers to the Russian Federation.

Mr Yeltsin endorsed the idea of *an arrangement with Chechnya* similar to Russia's treaty with Tatarstan, which grants a wide measure of economic and political autonomy to the region.

The Russian leader also disclosed that President Nursultan Nazarbayev of Kazakhstan had offered to act as an intermediary.

But Gen Tikhomirov damped hopes of an immediate ceasefire. "For some reason, everyone

Continued on Page 18



Russian soldiers pass between a devastated apartment building and a burnt-out armoured personnel carrier in the centre of Grozny *Picture: Reuter*

Toyota plans to buy back up to $1bn of shares

By Michiyo Nakamoto in Tokyo

Toyota, Japan's largest vehicle maker, *plans to buy back up to* Y100bn ($934m) worth of its own shares in Japan's largest ever share buy-back.

The move, by one of Japan's strongest and most respected companies, could encourage other financially sound groups to follow its example.

This could give further impetus to Japanese equity markets: share buy-backs would reduce the chronic long-term oversupply of Japanese equities after the massive issue of equities and equity-linked debt during the late 1980s. Toyota's plan is expected to involve about 43m shares, or 1.2 per cent of Toyota's equity at current prices.

It follows the example of Tonen, the oil refining company, which plans to buy back about 6 per cent of its outstanding equity.

Japan's Ministry of Finance was initially concerned that buy-backs could be used by unscrupulous managements to manipulate markets. But it recently announced that it would allow Japanese companies to buy back their shares.

The government also agreed to offer a temporary freeze on taxes levied on shareholders when companies bought back their own shares until March 1999. Tax considerations had been a significant impediment to such schemes.

Japanese companies have been keen to buy back shares because they can then reduce their overall dividend payout.

Given low Japanese interest rates, many companies have div[idend] yields in excess of borr[ow]ing rates. Effectively, many h[igh] yield companies are lenc[ing] cheaply to banks and borrow[ing] dearly from shareholders.

Toyota's move was not un[ex]pected because Mr Shoichiro To[y]oda, the group's chairman, is als[o] chairman of the Keidanren, the leading industrial lobby. The company, which has earned the nickname "Bank of Toyota" is also known for its strong financial standing.

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Deutsche Telekom moves closer to winning Mercury

By Alan Cane, Michael Lindemann and Hugo Dixon

Deutsche Telekom, Europe's largest telephone operator, is emerging as British Telecommunications' preferred buyer of Mercury Communications, should a merger between BT and Cable and Wireless take place.

The disposal of Mercury, the C&W company that is BT's main UK-based rival, and of cellular phone operator Mercury One-2-One, would be inevitable for competitive reasons after a merger between BT and C&W.

Last week, shares in BT and C&W rose sharply when it became clear that both companies were pursuing a merger and that their union would have the UK government's blessing.

When the market closed on Friday, BT shares were 21p higher at 369.5p while C&W shares were 532p, up 20.5p.

A merger would create a telecoms company valued at £35bn ($53bn) with strengths across Europe, the US and the Asia-Pacific regions.

Obstacles to what is increasingly seen as a merger with impeccable business logic include the terms of the deal and the disposal of Mercury.

BT had informal talks with Deutsche Telekom two months ago when it formed an alliance with the German utility RWE. During those talks, the disposal of Mercury was aired.

Deutsche Telekom is anxious to establish a bridgehead in the UK to counter BT's increasingly aggressive stance in the German market. Mr Ron Sommer, DT chief executive, said last week: *"The UK has a high priority. It is* one of Europe's key markets. There are several ways to take Deutsche Telekom into the UK, although we are not prepared to explain our plans yet.

"It is important for DT to be a real partner with customers in the UK, not just a 'me-too' operator. Of course we are considering Mercury. You cannot seriously analyse the UK telecoms market without considering it."

Lex .... Page 18

Objections to the possibility of DT buying Mercury include the German operator's debt burden and its privatisation later this year. There is speculation, however, that Atlas, DT's Brussels-based joint venture with France Télécom, could be the vehicle for the acquisition.

Other options for the disposal of Mercury include AT&T, the largest US operator; a regional US operator such as Nynex; or an investment consortium.

BT favours DT because of hopes that the offer of a way into the UK market might encourage DT to take a more relaxed view of BT's operations in Germany, Europe's most valuable telecoms *market.*

BT has alliances in Germany with RWE and the utility Viag, positioning it for the full liberalisation of the European telecoms market after January 1 1998.

BT and C&W's financial advisers will this week continue to negotiate terms for the merger, although the companies' managements have yet to resume talks and are, *for* the most part, on holiday.

Albania	[illegible]	Germany	DM4.00	Lithuania	Lit 5.50	Qatar	QR13.00
Austria	Sch??	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lev130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Croatia	[illegible]	India	Rs75	Nigeria	Naira80	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.80	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Estonia	EKr22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM12.50	Kuwait	Fils650	Portugal	Es340	Turkey	L80.000
France	FFr11.50	Lebanon	U.3000			UAE	Dh12.00

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مكرر من الأصل

François Léotard (right) and Valéry Giscard d'Estaing shake hands at the start of the UDF congress in Lyons Reuter

Léotard fends off Madelin to win leadership of UDF

By David Buchan in Lyons

France's UDF federation, junior partner in the ruling coalition, yesterday elected Mr François Léotard, the former defence minister, to be its president replacing Mr Valéry Giscard d'Estaing.

Mr Léotard won 57 per cent of the vote at a special congress in Lyons, beating Mr Alain Madelin, the former finance minister, who got 30 per cent. Another ex-minister, Mr André Rossinot, came a distant third.

Mr Léotard had been favoured to win, partly because within the sprawling centre-right federation he occupied the middle ground between Mr Madelin, the free-market liberal, and the centrist Mr Rossinot, but mainly because of an electoral pact. Mr Léotard, who already heads the Republicans, the largest of the UDF's five component parties, was backed by Force Democrate, the second biggest party. In return, Mr François Bayrou, the Force Democrate president, will become number two in the UDF.

Yesterday's election brings to the fore potential UDF candidates for the French presidency in 2002, in contrast to last year when the federation failed for the first time since its formation in 1978 to field a candidate.

But Mr Madelin, who like Mr Léotard and Mr Bayrou hankers after high office, did not disgrace himself with 30 per cent of the vote. He has pledged to stay within the UDF, and his supporters won five seats on its 18-seat political executive with the majority going to Léotard supporters. But Mr Madelin may take himself and some of his followers out of the Republican party to sit as a separate group in the National Assembly.

Mr Léotard's victory came despite opposition from Mr Giscard d'Estaing. The 70-year-old former president of France could not resist capping years of rancourous relations with Mr Léotard by explicitly endorsing Mr Madelin, as the candidate keenest to unify the federation, closest to the people and the likeliest UDF member to become prime minister. Despite being dropped as finance minister last August by Mr Alain Juppé, the prime minister, Mr Madelin has stayed loyal to President Jacques Chirac in the hope of succeeding Mr Juppé.

Despite holding 214 parliamentary seats and half the country's 22 regional council presidencies, the UDF has more difficulty in making a national impact than the Gaullists or Socialists which have a unified party structure. The need to curb the "baronies" within the UDF became a theme of its presidency campaign.

Even Mr Léotard, who as the biggest "baron" was least enthusiastic about centralising the UDF, found himself pushed by his rivals into calling for reforms to give the federation greater unity around a directly elected president.

Mr Léotard said yesterday he would call a UDF national council in June to decide on reforms, including giving the federation's rank and file members the right to choose their president rather than the 1,721 national councillors who formed yesterday's electorate.

Earlier, Mr Giscard d'Estaing complained that during his presidency of the UDF over the past eight years, the federation had been a prisoner of its component parties.

Anger over wage deals fuels rebellious sentiment

Germany's employers start to break ranks

Disillusioned with pay awards they can no longer afford, a growing number of German employers are considering opting out of the federations that negotiate wages on their behalf. Among the few who have left so far is Mr Thomas Selter, who runs a mid-sized company in Westphalia making tool boxes, and who opted out of Gesamtmetall, the metal industry employers federation, at the end of 1991.

"We did not want to pay for a wages policy that is fundamentally hostile to the needs of a mid-sized company. If we did not have the large pay deals of recent years [in the German metal sector], we would have more jobs today," he said.

Gesamtmetall may soon be responding with a new deal to calm its angry members. Mr Werner Stumpfe, its president, has suggested splitting the federation into two branches, one that adheres to the so-called "wide-area wage contract" and one that does not.

The contract, a key pillar in Germany's industrial system, intends to ensure, at least in theory, that workers get the same wage and working conditions in the same industry throughout the region in which they work. The system has offered companies protection against strikes and litigation but smaller companies in particular say the costs outweigh the benefits.

Mr Selter said he knew of several local companies, which had remained members of Gesamtmetall and which had still found ways to undermine the wage accords, by either ignoring them or agreeing supplementary deals with the workforce to save money. Even though this may be in breach of contract, many companies are already operating flexible working time rules of the kind that officially are currently only on the debating table.

Opting out of the wide-area contract completely, however, would offer even more flexibility. After Mr Selter opted out, he began negotiating directly with his 35-strong workforce, and secured an agreement for an 8 per cent cut in wages in exchange for a share in profits.

'If we did not have the large pay deals of recent years, we would have more jobs today'

IG Metall, the metal industry union, said that, while opting out might look superficially attractive to employers, many would also run risk of becoming the target of strike action. Mr Klaus Zwickel, president of IG Metall, warned at the weekend that abandonment of the wide-area wage contract would mean that there would no longer be annual pay rounds for the entire industry, but daily negotiations, conflicts including strikes, from company to company, all year round.

With his proposal for a dual membership of Gesamtmetall, Mr Stumpfe is offering an olive branch to end the spectacle of internecine strife among the country's employers.

The structures of German employers' federations are complicated, consisting of various layers of sectoral and regional bodies. On top of it all hovers the BDA, the federation of German employers and a proponent of the wide-area wage contract, its whole *raison d'être*.

Its main opponent within the employers camp is the BDI, the federation of German industry and the main business lobby group. In a sign of how bitter the dispute has become, Mr Hans-Olaf Henkel, president of the BDI, has publicly threatened to vote against Mr Klaus Murmann, the outgoing president of BDA, who is seeking the chairmanship of Unice, the European employers' federation. The two have made little secret of their animosity towards each other.

The disunity among employers comes at a time of record unemployment and contrasts with the discipline within the camp of the trade unions, such as IG Metall. They have used the disarray among employers to their own advantage, offering an alliance for jobs, aimed at cutting unemployment by a combination of pay restraint and reduced overtime.

According to an opinion poll published last week in Die Woche, a weekly newspaper, 42 per cent of Germans place more trust in the trade unions than in the employers' federations, while only 22 per cent trust the employers. The gulf is even more extreme in eastern Germany. The only group that trust the employers more than the unions are the employers themselves.

Another poll, published in the business monthly Capital, gave the BDA an approval rating of only 12 per cent among its members.

While German companies are getting impatient about the system that determines wage agreements, the principle of co-determination, another key element of the "German model" of industrial policy is in better shape than ever. As companies turn their backs on the official system of corporate representation, they find it much easier to strike a deal with their own workers.

Wolfgang Münchau

Portugal's PSD finds leader at last

By Peter Wise in Lisbon

Portugal's Social Democratic party yesterday elected Mr Marcelo Rebelo de Sousa, a liberal intellectual, to head the centre-right party as it struggles to adapt to opposition after 14 years in government.

He was one of only two serious candidates – both secondary figures within the party – for the difficult task of holding opposing factions together and reviving the PSD's morale after its defeat by the Socialists in last October's general election.

None of the senior officials who came to prominence during the governments of Mr Aníbal Cavaco Silva, the former prime minister and PSD leader, sought election to what could prove to be a caretaker leadership until a more authoritative figure emerges.

Mr Rebelo de Sousa, 47, an affluent lawyer, university professor and political commentator, acknowledged he was taking on the unenvied role "out of sense of duty to my party rather than personal ambition".

Until now, he was best known for giving other politicians marks out of 20 in a popular weekly radio show and for diving into the Tagus river to show it was not polluted when campaigning to be mayor of Lisbon. He remained healthy but lost the election.

Mr Rebelo de Sousa, who represents the liberal wing of a party that also embraces social democratic and conservative tendencies, is faced with resolving divisions over some central policy issues.

Deep-seated political and regional rivalries within the PSD were held in check by the forceful leadership of Mr Cavaco Silva, who quit as PSD leader in January 1995 before making an unsuccessful bid to become president of Portugal last January. But the divisions re-emerged strongly during the congress.

EUROPEAN PRESS REVIEW

Financier's arrest lifts flagging Swiss spirits

SWITZERLAND

By Ian Rodger

The Swiss media do not have much to cheer about these days, what with recent revelations that their country has the second worst record of the mad cow-related Creutzfeldt-Jacob disease and that their beloved *Bündnerfleisch* is made from Argentine beef.

But the news late last Wednesday afternoon that Werner Rey, an heroic-scale 1980s asset stripper whose fall brought a couple of Swiss banks to their knees, had been arrested in the Bahamas, was a particularly welcome surprise.

As so often in Swiss cases of big financial collapse in which a crime is suspected, it had seemed for a while as if the authorities had given up on this one, preferring to sweep the dirt under the rug and forget about it, rather than pursue it regardless of cost.

The main newspapers cleared their front pages and rehearsed Mr Rey's whole story – from his beginnings with Bernie Cornfeld at Investors Overseas Services, the collapsed mutual funds group, through his raids on the Bally shoe and Sulzer engineering companies and his downfall in 1991 when soaring interest rates exposed the excessive borrowings of his Omni holding company.

When the final reckonings were taken, the losses amounted to some SFr4bn (£2.1bn), making Mr Rey Switzerland's biggest bankrupt. He fled and was only discovered a year later in the Bahamas. The Swiss put out an international arrest warrant, but he was soon out on bail and has since managed to convince the Bahamian authorities to keep renewing his residence permit.

In September 1994, the Swiss prosecutors announced sheepishly that, given the complexity of the Bahamian extradition procedures, they were giving up, although they reversed their position only a few weeks later.

For all this week's reportage, few new facts emerged. Berne's *Der Bund* interviewed Michael Kunz, the special prosecutor, and learned that eight more people had been charged in the case, but there are no names.

The tabloid *Blick* made much of the fact that its man in the Americas had actually chatted to Mr Rey the night before his arrest, and Mr Rey had said he was fine and had not heard from the Bahamian authorities for a long time. Yet "on Wednesday morning, the handcuffs snapped shut", Blick reported dramatically.

"But with the 4,236 pages, we've made it easy for you Mr Rey" – How the Tages Anzeiger cartoonist saw the story this week

For many Swiss papers the most striking fact was that 4,236 pages of evidence were shipped last month to the Bahamian court, perhaps adding new meaning to the notion of Swiss thoroughness.

Zurich's *Tages Anzeiger* noted that a district attorney, three investigating lawyers and a British prosecutor worked on the case for nearly a year, at a cost of "a few hundred thousand francs".

Thomas Illi in the Tages Anzeiger acknowledged that the wheels of justice could well grind slowly in this case, since, theoretically, Mr Rey can appeal all the way to the British Privy Council. "But, as a signal to possible imitators, the decision [to pursue him] could have a deterrent effect at least as long as the investigation continues – and that could be years."

Speaking to Der Bund, Mr Kunz, the prosecutor, said that the decisive point could well be whether or not Mr Rey was again granted bail. If not, he might decide to return to Switzerland voluntarily.

Blick's on the spot reporting again provided a possible clue to the outcome. According to a local, Mr Rey has recently moved from the high rollers' blackjack table at the Crystal Palace casino to the common folks' one.

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Would-be capitalists queue for stake in Romania

By Virginia Marsh in Arad, Romania

Romanians yesterday packed into post offices around the country before a midnight deadline for bids in nearly 4,000 state companies which are being sold under the government's ambitious mass privatisation programme.

Officials were hopeful that about two-thirds of those eligible would subscribe before the night was out.

Stakes of up to 60 per cent in the companies, which account for about a fifth of gross domestic product, are being offered in exchange for free coupons distributed to all adults last year.

Even though coupons have a nominal value of 975,000 lei (£207), nearly four times the average net monthly wage, less than 20 per cent of those eligible entered bids by the initial December deadline, forcing the government to double the subscription period.

"The avalanche began about two weeks ago," said a manager at the main post office in Arad, a large town in western Romania. "Until then, we had a couple of hundred subscribers a day. This week there were around 1,500 a day, and today, who knows? Thousands for sure."

She added, however, that despite a big advertising campaign, popular awareness of the scheme and how it worked was limited. "We have to fill in the forms for many people. There's a lot of confusion."

The scheme's many critics say the government failed to provide adequate information on companies and that the public was sceptical because of the failure of an earlier coupon-based privatisation programme.

One recent opinion poll showed that although most Romanians supported privatisation, only a third thought they would profit from the scheme, while half thought the rich would benefit the most.

"I don't have much faith in this type of privatisation. That's why I waited until the last minute," said one man poring over a list of companies. "I'm an electrician not an economist, and with such poor information how do I know which companies to go for?"

Most people around him said they had opted for local companies. "At least I know something about farms in this area," a farmer said.

A few found the choice too daunting – 1994 profit and turnover, number of employees and field of activity was the only information released on the companies. "I've been here for two hours but I still can't decide," said a housewife. "I'm going home."

Those who missed last night's deadline have until the end of the month to place their coupon in five state-run investment funds instead. Stakes not exchanged for coupons are to be sold to foreign and local investors either at cash auctions or through direct negotiation.

Majority stakes in the 800-odd most promising enterprises were earmarked for investors from the beginning.

Like the coupon part of the scheme, cash sales, which got under way in December, have progressed slowly. Officials said the state had received offers for, or sold stakes in, about 150 companies for a total of $188m (£125m).

However most analysts say the state's grip on the economy should at last be broken once coupons are exchanged for shares this summer and private investors begin to accumulate holdings in the companies via the country's fledgling capital markets.

The troops pull out in December, but civilian progress is scant

West fearful for post-Ifor Bosnia

By Laura Silber in Belgrade and Bruce Clark in London

Ask any western official about the duration of Nato's involvement in Bosnia and the answer, at least on the record, will be the same: our troops will all be out by December.

Behind the scenes, however, diplomats and soldiers from the leading western nations are thinking hard about what form of involvement will be necessary after 1996, and they are not finding any easy answers.

In theory, the year-long deployment of Nato's 60,000-strong Implementation Force (Ifor) was supposed to give Bosnia's Moslems, Serbs and Croats a window of opportunity to rebuild their country as a single, loosely-structured state.

Until recently, western officials have refused even to discuss the possibility of prolonging their involvement – on grounds that a clear time-frame was needed to "concentrate the minds" of the former warring sides.

But, so far, there is little sign of any desire among the parties to overcome divisions and build the cross-community institutions envisaged by the Dayton agreement.

This has driven Mr Carl Bildt, the Swedish politician who is responsible for implementing the civilian aspects of the Dayton accord, to question the policy of refusing to talk about the world after 1996.

"We must have a post-Ifor policy by June, whatever it is," he said last week. "Uncertainty about what is going to happen after Ifor will increasingly work to the detriment of [our] possibilities for success."

Under Dayton, new institutions – responsible both for the Serb entity, which comprises 49 per cent of Bosnia, and the Moslem-Croat federation, which covers the rest – should be established in the final three months of the year, as Ifor is winding down.

The make-up of these institutions will be determined by the elections that must take place by September.

But, in the words of one senior European observer: "There is no reason to believe that a new group of people who believe in multi-ethnic Bosnia will be elected."

So the possibility exists of an undignified end to Ifor's mission, with triumphant nationalist politicians girding for renewed war as western troops scramble to leave. This would deal a blow to Nato's long-term credibility, given the prestige it has invested in Ifor.

Mr Robert Hunter, US ambassador to Nato, has called Ifor "a shot at making the post-cold war world work, of meeting the moral and political responsibilities of the new age". The mission's failure would presumably mean that this chance had been lost.

But although they acknowledge these dangers, US and European officials are wary of starting an open debate about how to avert them for fear of a new transatlantic rift.

As US presidential elections loom, it is hard to imagine any change in Washington's determination to withdraw by December its own 20,000-strong contingent, which provides Ifor with the bulk of its armour, transport and intelligence.

In theory, the US pullout – combined with the continued need for some western involvement – might give Nato the chance to try out something its experts often discuss in theory: a European-only mission backed by US air power and electronics.

But the bitter experience of the United Nations force in Bosnia, whose UK and French commanders were at odds with the US officers who dominate Nato, has made Europeans nervous of being left alone on the ground.

"We were killed and humiliated, while Washington, which had no soldiers on the ground, could afford to be nice to the Bosnian Moslems and criticise Europe," said one west European diplomat. "We will not repeat this."

The French, in particular, are determined to avoid a post-Ifor mission in which Europeans bear the main military burden while the US retains overall control.

In the immediate future, European officials say, the best hope of avoiding a new diplomatic and military fiasco in Bosnia lies in reinvigorating the reconstruction process.

The Dayton agreement envisages the return of more than 2m people to their homes and the rebuilding of Bosnia's ruined economy, whose output is around 5 per cent of pre-war levels.

In practice, both reconstruction and the return of refugees are proceeding at a snail's pace. A few displaced persons have returned to places where their own ethnic kin are in control but, arguably, more refugees have been created by the Dayton agreement than have gone home.

Mr Bildt has threatened to postpone an aid conference scheduled in Brussels for April 12-13 unless the Bosnian parties comply with their obligations under Dayton, including the release of all remaining prisoners.

But if the conference proceeds, organisers hope to raise about $2bn for this year, with emphasis on sectors such as transport, water and electricity, where links can be created between the Moslem-Croat federation and the Serbs.

"We are deliberately pursuing cross-entity structures," says Dame Pauline Neville-Jones, chief adviser to Mr Bildt.

The World Bank last week announced the disbursement of $40m of the $120m or more that it plans to spend on sanitation and agricultural projects in Bosnia this year.

Mr Tim Cullen, a Bank spokesman, believes that economic progress will soften ethnic bitterness. "People will see new farm animals arriving, new roads being built and their drinking water will no longer be mixed with sewage."

But it remains to be seen whether such practical steps will be enough to reduce the risk of a messy and quarrelsome end to Ifor's mission – and a hard argument about what to do next.

Moslems and Croats agree on customs union

Bosnia's Moslem and Croat leaders agreed over the weekend to shore up their fragile federation and create a customs union, writes Paul Wood in Belgrade. However, diplomats warned that powerful elements in the region's informal economy would have to be faced down if the deal was to be implemented successfully. Many previous accords have foundered because of resistance on the ground.

The latest agreement provides for a single state budget, a unitary banking system and a new federation flag, combining Croat red and white with Moslem green.

Details of the agreement were announced by Mr Michael Steiner, deputy head of the civilian reconstruction effort in Bosnia. He described the accord as a "good new start", but he added: "I have no illusions, there is still a long and difficult way to go."

Mr Steiner said international monitors would be deployed to make sure that customs revenues were sent to federation accounts by the Bosnian Croats, who control almost all the federation's external border.

Under the terms of the deal, local authorities which fail to comply could be prevented from receiving international aid and federal cash.

Recent Croat-Moslem tensions in Mostar have been attributed by western diplomats to the influence of Croat criminal gangs who have resisted the city's reunification because they are reluctant to surrender control of lucrative roadblocks.

As diplomats point out, even larger sums are at stake in the contest for control of Bosnia's customs posts.

● US officials said war crimes investigators would this week start examining suspected mass grave sites around Srebrenica in eastern Bosnia, where thousands of Moslem men are believed to have been killed last summer, Reuter reports.

Bosnian Serbs watch as bodies are disinterred from a mass grave at Mrkonjic Grad in central Bosnia Reuter

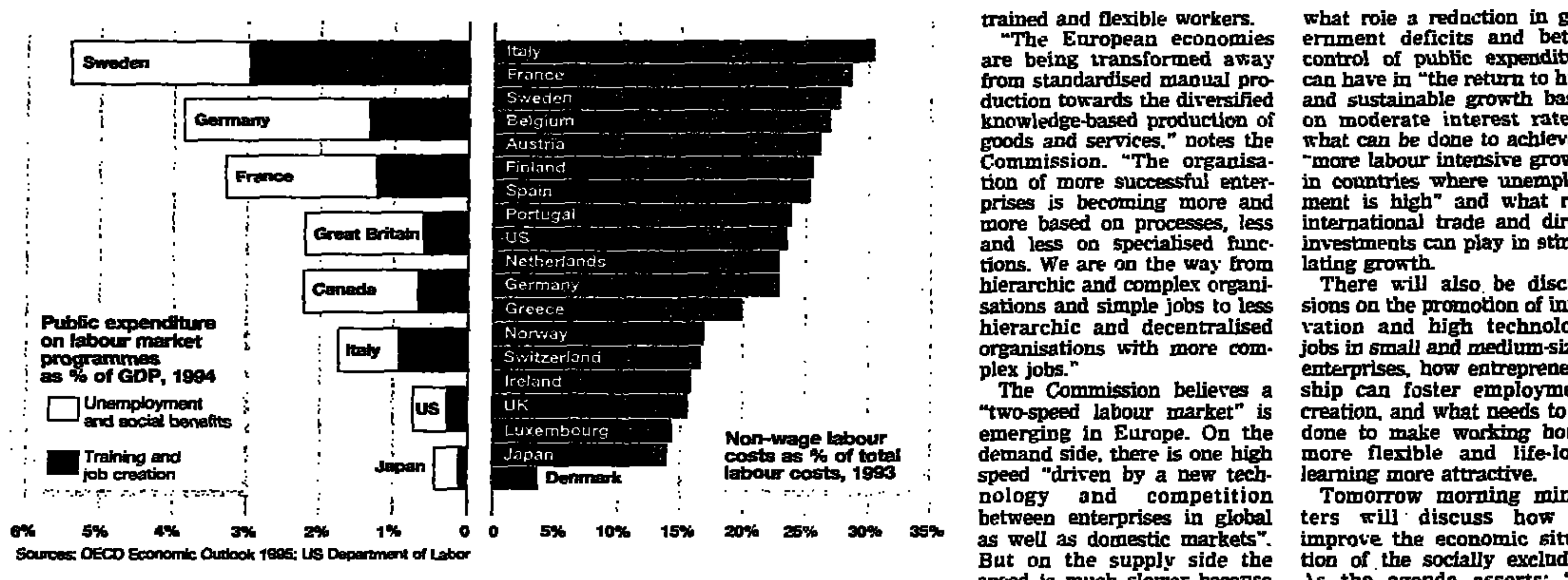
G7 summit to focus on global lack of jobs

Ministers will discuss what can be done to cut unemployment levels. Robert Taylor reports from Lille

The Group of Seven largest industrialised countries' jobs summit, which opens today in Lille in northern France, will provide the opportunity to focus international attention on the growth of unemployment even if it fails to produce any tangible results on how to solve it.

Finance and labour ministers can be left in no doubt about the continuing seriousness of global lack of jobs with an estimated 700m people described as not productively employed.

In an unpublished submission to the two-day conference, the Geneva-based International Labour Organisation estimates there are 34m workers unemployed in the industrialised world alone, an average of 7.5 per cent of all workers. In addition, the ILO believes there are 15m in involuntary part-time employment in the industrialised economies.



Sources: OECD Economic Outlook 1995; US Department of Labor

The number of unemployed has almost doubled in G7 countries since 1979, up from 13m to 24m. In the European Union the number of registered jobless climbed from just over 5 per cent 17 years ago to around 11 per cent today.

The ILO study shows unemployment in the industrialised countries is concentrated in specific groups: young people, unskilled workers and migrants. The proportion of people without work for more than 12 months has risen markedly. The participation rate of older people in work has fallen: for instance, in Italy, France, Germany and Canada, less than half the population between the ages of 54 and 65 are are now active in the labour market.

The European Commission's rather pessimistic unpublished submission to the Lille summit argues that only about 1.6 per cent of unemployment in the EU would be eliminated by a co-ordinated stimulus to economic growth.

The Commission believes the problem is predominantly structural and suggests that part of the structurally unemployed could be "relatively easily re-employable with some limited retraining and with the creation of new jobs".

However, this would still leave a substantial number of people facing the serious risk of social exclusion. The EU argues that the main reasons for this trend are the sweeping changes that are taking place in the world of work: the shift among small enterprises from low to high performance, the lessening demand for unskilled jobs, and need for more highly trained and flexible workers.

"The European economies are being transformed away from standardised manual production towards the diversified knowledge-based production of goods and services," notes the Commission. "The organisation of more successful enterprises is becoming more and more based on processes, less and less on specialised functions. We are on the way from hierarchic and complex organisations and simple jobs to less hierarchic and decentralised organisations with more complex jobs."

The Commission believes a "two-speed labour market" is emerging in Europe. On the demand side, there is one high speed "driven by a new technology and competition between enterprises in global as well as domestic markets". But on the supply side the speed is much slower because European education/training systems remain "far too limited, as is the ability to meet new skill needs".

The agenda for Lille has pleased the UK government because it seems to be concentrating on the need for structural reform of labour markets to stimulate job creation rather than any commitment to macro-economic stimulation.

Ministers will today discuss what role a reduction in government deficits and better control of public expenditure can have in "the return to high and sustainable growth based on moderate interest rates", what can be done to achieve a "more labour intensive growth in countries where unemployment is high" and what role international trade and direct investments can play in stimulating growth.

There will also be discussions on the promotion of innovation and high technology jobs in small and medium-sized enterprises, how entrepreneurship can foster employment creation, and what needs to be done to make working hours more flexible and life-long learning more attractive.

Tomorrow morning ministers will discuss how to improve the economic situation of the socially excluded. As the agenda asserts: "In many G7 countries policies in favour of the most vulnerable workers seem to have been faced with an unattractive alternative: encouraging the creation of jobs at the expense of a very unfavourable evolution of the pay of the least-skilled workers or preserving the pay of the most vulnerable at the expense of a worsening of unemployment."

See editorial comment

Camdessus on course for third IMF term

Robert Chote looks at rivals who might emerge from the shadows

The often controversial Mr Michel Camdessus looks on course for an unprecedented third term as managing director of the International Monetary Fund, with no sign yet that any of his mooted rivals has gathered sufficient support to mount a decisive challenge.

Mr Camdessus's current term of office as head of the world's most powerful international financial institution expires in January next year – and the succession is already a topic of keen speculation in the IMF's headquarters on Washington's 19th street. It will also be discussed informally by finance ministers and central bank governors at the IMF's spring meeting later this month, although no firm decision is likely until autumn at the earliest.

For now the contest is taking place in the shadows. It is not in the Frenchman's interest to declare his intentions too early: he risks becoming a lame duck if he announces he is standing down or encouraging rivals to start campaigning openly if he says he wants to stay on. But his colleagues have little doubt that he is enjoying the job enormously and that he would seize a third term if offered one. "We don't see him packing his bags and taking up fishing," said one member of the IMF's executive board.

Mr Camdessus has at times infuriated the governments whose support he would need to be reappointed, notably in siding with developing rather than industrialised countries in the recent row over expanding the IMF's overdraft facility for central banks. But at the same time Mr Camdessus enjoys wide respect, even among those ministers and officials with whom he has come into conflict. He is seen as a tough negotiator and a shrewd operator, with an endearing habit of disguising his excellent command of English when it suits him tactically.

Like many French officials high up in international organisations, Mr Camdessus is a graduate of the élite Ecole Nationale d'Administration. He served briefly in a government post in Algeria before embarking on a career in the French Finance Ministry. He was head of the French central bank when he became managing director of the Fund in 1987.

Frenchmen have now held the managing directorship for 18 consecutive years and in three of the last five decades. It is traditional that the job be held by a European, as it is for the presidency of the World Bank to go to an American. When possible successors to Mr Camdessus are discussed, three names lead the field:

● Mr Philippe Maystadt (*pictured left*), the Belgian finance minister, seems for now to be Mr Camdessus's leading potential rival. He is chairman of the IMF's policy-making "interim" committee and is credited with improving its effectiveness by reducing the formulaic speechifying which clutters its discussions.

Mr Maystadt, who was named finance minister of the year by Euromoney magazine in 1990, is widely liked. But his detractors question whether the softly-spoken Social Christian is sufficiently tough and decisive to lead the organisation and to negotiate with its more bloody-minded borrowers. Some insiders also say that he should have done more to defuse the row over the overdraft facility.


Camdessus: shrewd operator

● Sir Nigel Wicks (*pictured left*), second permanent secretary at the UK Treasury, is seen as another leading contender. An archetypally discreet British bureaucrat, Sir Nigel was appointed chairman of the European Union's powerful and secretive monetary committee in 1993 and represented the UK at the IMF and World Bank in the early 1990s. But observers question whether he would mount an effective campaign. "Nigel would be a strong candidate, but the British don't seem to be interested in pushing him. I'm not even sure whether he would want the job," said one member of the IMF board. Few insiders doubt that he would be up to the task, but some fear he would be too much the bureaucrat and not enough the international statesman.

● Some Fund observers expect a break with tradition and the appointment of a non-European to head the Fund. In which case the leading candidate is seen as Mr Toyoo Gyohten (*pictured left*), the chairman of Bank of Tokyo. Mr Gyohten studied economics at Princeton University and was a trainee at the IMF before returning to the Japanese Finance Ministry, where he stayed until 1989. He was a member of the so-called "mafia" of officials from leading industrialised countries who met to plan currency market strategy in the mid-1980s.

A number of other candidates are mentioned from time to time. These include Mr Andrew Crockett, the British head of the Bank for International Settlements. One insider said that he would be the choice of Fund staff, but most think he is a candidate for the future rather than the present. Mr Onno Ruding, the Dutch candidate outmanoeuvred by Mr Camdessus in 1987, is also fancied by some observers, while others argue that the twists and turns of Italian domestic politics may even see Mr Lamberto Dini – an early favourite – rejoin the list of putative contenders.

Mr Camdessus' strongest asset may, ironically, be a desire for a quiet life among the officials and ministers who would have to decide his successor. In recent years appointments to head international organisations have necessitated months of time-consuming and unseemly wrangling. Reappointing Mr Camdessus would avoid that hassle.

Drive to dismantle electronics tariffs

By Guy de Jonquières

The US, the European Union, Japan and Canada are discussing a joint drive to dismantle worldwide barriers to trade in electronic components and a wide range of information technology (IT) products.

The four nations – the Quad powers – hope to secure agreement in the World Trade Organisation to start reducing tariffs on most or all IT imports next year and eliminate them by the end of the century.

Other proposals being considered include measures to increase mutual recognition of countries' differing technical standards, strengthen protection of intellectual property rights and liberalise further public procurement of IT products.

The four trading powers hope to present an outline IT trade agreement to the WTO's ministerial meeting in Singapore in December. Other countries, especially advanced Asian economies such as Korea and Singapore, would then be encouraged to subscribe to the accord.

The proposed agreement is being pushed particularly strongly by Washington and Brussels. It grew out of their decision late last year to start negotiations on removing transatlantic obstacles to trade in information technology.

The idea of turning the transatlantic initiative into a platform for a global deal was suggested by electronics industries in the US and Europe, which are eager to lower barriers in each others' markets.

The IT agreement will be discussed by Mr Mickey Kantor, the US trade representative, and Sir Leon Brittan, the European trade commissioner, when they meet in Washington next week.

They will raise it with their Canadian and Japanese counterparts at a Quad ministerial meeting in Kobe, Japan, later this month. The issue is also expected to be on the agenda of the summit between US President Bill Clinton and EU leaders in July.

The scope of planned liberalisation, and the timetable for achieving it, have yet to be decided. That will depend in part on how quickly EU governments, which held their first discussions on the initiative last month can agree a common approach.

Most EU governments are said to favour a comprehensive programme to free IT trade, which goes beyond tariff-cutting. However, there are differences about whether it should be implemented as a single package, or in phases.

Britain, Denmark, Finland, Germany and Sweden think the EU should commit itself at the WTO ministerial meeting to eliminating IT tariffs, even if no agreement has been reached on other measures.

However, France and most southern members say the EU should not cut tariffs until other WTO members have agreed to negotiate on other issues. They argue that because the EU's tariffs are higher than those in other industrialised economies, it should be offered concessions in return for agreeing to eliminate them.

Brittan looks ahead to fresh trade round

By Guy de Jonquières

Sir Leon Brittan, Europe's trade commissioner, will today urge World Trade Organisation members to commit themselves this year to preparing for the launch of new global trade negotiations before the end of the century.

Sir Leon's call, in a speech to be given in Geneva, is the furthest any senior policy-maker from a leading trading power has yet gone to place a proposal for a comprehensive trade round on the WTO's agenda.

He acknowledges that trade ministers from the WTO's 120 members will not be ready to decide on a new round when they meet in Singapore in December. But he says they should approve the start of preparatory work and make it the organisation's "central mission". Some WTO members think the Singapore meeting should be little more than a stock-taking exercise. Many are reluctant to contemplate fresh negotiations only two years after signing the Uruguay Round world trade agreement.

However, Sir Leon argues that a decision to launch new negotiations cannot be delayed beyond the end of the century.

He says preparations should focus on cutting industrial tariffs further, liberalising government procurement and simplifying rules of origin, used by regional trade groups to give preferential treatment to their members.

Clinton speeds drug approvals

By Richard Waters in New York

President Bill Clinton has announced changes to the way cancer drugs are approved for sale in the US, a step that will result in new treatments being available more quickly. The changes, unveiled late on Friday, include giving American cancer sufferers access to all cancer drugs which have already won regulatory backing in Europe.

The decision marks a breakthrough for pharmaceuticals companies, which face shorter delays in bringing out new drugs and will have to show less evidence about a drug's long-term effectiveness.

However, officials at the Food and Drug Administration issued a cautious welcome to the changes, pointing out that they would be able to give less assurance about the side-effects of new products. The FDA's approvals process has been under attack from the drugs industry and Republicans in Congress for some time as being too slow.

The accelerated approvals process for cancer drugs is based on a process already in place to make Aids drugs more quickly available. Pointing out that there are more than 100 cancer drugs in various stages of development, the president said that the families of patients "should not also suffer the stress of knowing that there may be better remedies out there, but somehow they're not quite available".

Under the new procedures, approval of a new cancer drug will take an average of six months, compared with slightly more than 12 months at the moment, the FDA said.

The new rules require a pharmaceutical company to show only that its product is effective in reducing the size of a cancerous tumour. At present, drug makers have to convince the FDA that their products are beneficial for patients.

Also, US doctors will be able to prescribe drugs approved in some countries abroad, regardless of where they stand in the US approval process, and cancer patients will be given a voice on the FDA advisory committees that decide whether a particular drug should be approved.

Generals' trial divides S Africa

The prosecution says the officers used Inkatha to strike against the ANC. Roger Matthews reports

"I believe that we must prepare ourselves not only to defend property and life, but to go beyond that and prepare ourselves to hit back with devasting force at those who destroy our property and kill us. I have no fear whatsoever that if and when we have a fully operational paramilitary wing in our police force, we will not be a soft option for any Tom, Dick or Harry who wants to attack us."

The speaker was Zulu leader Chief Mangosuthu Buthelezi, and the excerpt from a speech he made in 1984 forms the opening paragraph in the state's summary of evidence in the most politically charged trial since South Africa became a democracy nearly two years ago.

The prosecution presents the statement as the starting point in a trail of violence and killing, which finally brought into the dock at the supreme court in Durban several of the men who once commanded the country's military machine. They face 13 charges of murder and conspiracy to murder, and include General Magnus Malan, the former defence minister, four other generals, a vice-admiral, two brigadiers, and the deputy secretary general of Mr Buthelezi's Inkatha Freedom party, which today forms part of the government of national unity.

Mr Buthelezi, now minister of home affairs in that government, is mentioned repeatedly in the indictment, but has not been accused of any offence, and is not expected to give evidence.

However, the conflict that developed between his party, and that of the African National Congress, headed by President Nelson Mandela, is as pertinent to the case as it is to the country's political stability nearly a decade after the murders took place.

Although the charges relate to the 1987 killing of 13 people, mostly women and children,


Malan: 'going excellently'

political killings in the province of KwaZulu Natal have continued at an alarming level. Other than the persistent violence which claims at least 50 lives a week, the two most recent massacres were on Christmas Day, when 19 people died, and last month when a further 10 were cut down in a single incident.

During the weeks ahead, the prosecution will try to prove Gen Malan and fellow officers used Inkatha as a weapon to strike at the growing military threat posed by the then illegal ANC and its allies. They are said to have told Chief Buthelezi that his life was under threat, and then responded favourably to Inkatha requests for the creation of a self-defence force, which later developed an offensive unit.

Some 200 Inkatha supporters were said to have been recruited and trained clandestinely at Camp Hippo, near the Angolan border. They were then returned to KwaZulu Natal, but after several weeks became restless and demanded action. A target was then chosen, and a squad selected, six members of which are also on trial. They are alleged to have fired 153 bullets into a house where the target was supposed to be. He was not there, but most of the occupants, who had been attending a choir practice, were killed.

Much of this has been recounted in court during the past two weeks by Mr Johan Opperman, a former major who was deputy commander of Camp Hippo, and admits to planning the hit-squad's attack, but not the massacre. "The planning went well," he said, "but the wrong people were killed."

Mr Opperman, who has been living in Denmark under a witness-protection programme, admitted under intense cross-examination by seven teams of defence lawyers that he could be described as a murderer. But he claimed that he was following orders from the most senior levels, a contention that the prosecution will seek to support with 250 pages of documents taken from files at military intelligence headquarters.

The defence lawyers have sought to portray his action as an "unauthorised frolic" which he organised on his own initiative. And they have accused him of denying his Afrikaner culture by giving his principal evidence in English. "No," said Mr Opperman, adding that he spoke to his son in Afrikaans, and had respect for those people in the dock. "Some of my best friends are sitting there," he said. He had only agreed to give evidence because the army refused to give him a redundancy package, and he had become frightened by increasing publicity about the activities of hit squads.

Other so-called friends of the accused are due next into the small, packed courtroom, as divided racially as the country was in the days of apartheid. The front half of the room, where the judge, his two assessors, and the lawyers sit, is virtually all white. In the two rows of accused, Gen Malan sits front left, the seven blacks back right. And behind them is the public gallery, predominantly black.

Evidence is heard in Afrikaans and English, sometimes switching within the same sentence. For those accused who speak neither, a Zulu interpreter leans across the dock, sometimes failing to keep up with the exchanges, at other times interrupting counsel and witnesses to make himself heard. Outside the court doors, the bodyguards wait, ready to whisk their charges away after the hearings.

But there is time to chat with the accused. Gen Malan, who initially described the charges against him as "the darkest hour for South African democracy", said the trial was "going excellently" and was fascinated by its revelations.

A few minutes later, he bade passing journalists a cheery "have a nice evening" as he waited in a queue to draw money from a cash point on the city's busiest street.

As with the other 19 accused, Gen Malan is on bail. Whether he ever sees the inside of a prison will not be decided for at least two months. But the most vociferous in a group of unemployed blacks who regularly attend the trial has his own views. "If, after everything we have heard, these bastards go free, then all hell will break loose," he said.

Algerian leader seeks dialogue

Algerian President Liamine Zeroual has invited more than 50 opposition leaders and influential figures to take part in a dialogue on the country's future but has conspicuously shunned radical Moslem fundamentalists, political sources said yesterday, Reuter reports from Paris.

Mr Zeroual on Saturday sent letters to party and union leaders, social organisations and prominent figures inviting them to exchange views on the crisis in Algeria. A statement from his office in Algiers said: "The aim of the (talks) is to find the best ways and means to establish a pluralistic democracy born of our authentic values and the legitimacy to which our people aspire."

Algerian newspapers said the talks, to start next Saturday, would tackle preparations for parliamentary elections by amending laws on political parties and voting procedures. No date has been set for the poll.

The last parliamentary elections were cancelled by the military-backed government in January 1992 after the opposition Islamic Salvation Front took a lead in the first round. The abrupt move led to a guerrilla war between Islamic militants and the authorities which has cost about 50,000 lives.

Mr Zeroual has pledged to end the civil strife through dialogue with main opposition parties while continuing a policy of eradicating Moslem guerrillas fighting his government.

HK protest over China's Legco plans

By John Ridding in Hong Kong

Several hundred people protested in Hong Kong yesterday against Beijing's plans to replace the territory's elected legislature when the territory returns to China next year.

The issue has become one of the main concerns of local democratic politicians and China's diplomatic partners ahead of next year's handover. Along with disputes over the formulation of the budget for 1997-98, it has prompted increased strains between Britain and China.

The demonstration included members of the Democratic party, which forms the largest element in the existing legislative council (Legco) but which is set to be barred from the replacement provisional legislature.

"We are the legitimate body and we will not be replaced by a rubber stamp legislature appointed by Beijing," said Mr Martin Lee, the Democrats' leader.

Pro-Beijing politicians played down the significance of the protest. "The numbers tell you that for most people this is not a central issue," said a member of the Democratic Alliance for the Betterment of Hong Kong.

Reflecting China's stance he said the existing Legco was invalid because it had not been agreed between Beijing and London. Attempts to reach agreement on a "through train" legislature to span the handover failed after 17 rounds of bilateral talks.

Disagreement over the fate of Legco has been fuelled by statements from Chinese officials that senior Hong Kong government members should pledge loyalty to the new body.

In a sign that China may be easing its stance on the issue, officials at Xinhua in Hong Kong, China's *de facto* embassy, said there had never been a requirement that officials would need to declare support for the provisional legislature. However, officials serving after the handover would have to accept the new body.

Xinhua officials also rejected claims of a lack in confidence in the new passport which will be introduced for the Special Administrative Region, as Hong Kong will be known after 1997. The comments came as thousands queued to beat a deadline for applications for British Nationals Overseas passports.

Demonstrators take to Hong Kong's streets yesterday in protest at China's plans for a provisional legislature Reuter

Danger lurks in bank system

Tokyo failure provides timely reminder, writes Gerard Baker

It is difficult to imagine a less auspicious start to a new fiscal year than the one that awaits Japan's bankers and financial authorities this morning.

Four of the country's largest banks will be on standby, ready to ferry truckloads of cash to the 42 branches of a local Tokyo bank, in an effort to meet the probable demand caused by an expected run on deposits by its alarmed customers.

At around midnight on Friday, the four banks – Sakura, Sanwa, Tokai and Fuji – announced a plan to liquidate Taiheiyo Bank, a second-tier regional bank. As the leading shareholders in the ailing company, the four financial giants, in co-operation with the finance ministry and the Bank of Japan, had spent months trying to reconstruct its badly holed balance sheet.

Taiheiyo had lent extensively to a number of property speculators during the so-called bubble economy, the period of rapid rises in land prices in the late 1980s.

But by Friday it was clear that the bank could not be put together again. With net liabilities of Y130bn (£802m) and non-recoverable loans of at least Y170bn, or about a quarter of the total, Taiheiyo would have to be wound up as soon as was practicable. In the meantime, the big shareholders would guarantee the deposits of Taiheiyo until a replacement institution could be constructed to take over the bank's operations.

At the weekend, as the news was digested, customers began withdrawing deposits from the bank's cash machines – Y748m in all. That trend is expected to accelerate this morning when Taiheiyo reopens – hence the promises from the shareholder banks to meet the demand with emergency lending if necessary.

The demise of Taiheiyo is only the second liquidation of a listed bank in Japan since the war. It again underlines the fragility of the whole financial system.

The troubles at the Tokyo-based bank had been known for some time. Taiheiyo had been deeply mired in lending to one especially troubled property developer. Its bad loan figure could still escalate, but is unlikely to approach the losses at the other listed bank that collapsed in the last year – Hyogo Bank in Kobe, which had nearly Y800bn in dud loans.

The failure is a timely reminder of the dangers that still lurk in Japan's troubled financial system, especially for the country's big banks.

Last week, just before the Taiheiyo announcement, most leading banks issued revised forecasts for their results for the fiscal year that ended yesterday. They revealed an unprecedented sea of red ink – total pre-tax losses of over Y3,300bn, brought about by massive bad loan write-offs.

Several of the banks claimed the write-offs marked the end of the bad debt crisis of the last five years. But what they did not reveal is the extent of their contingent exposure to the bit-part actors in the rest of the financial system.

A host of smaller institutions have piled up even bigger losses than the banks themselves. Another batch of credit associations, several of which went bankrupt last year, regional banks such as Taiheiyo, and non-bank finance companies, are all believed to be under water.

The prospect of assistance from the government in this broader mess is a remote one. The authorities have said they would, in the last resort, act to prevent a failure that might risk depositors' money, but they have specifically ruled out bailouts for listed banks. The finance ministry confirmed at the weekend that Y60bn in funds from the Deposit Insurance Corporation, the body that protects deposits in the event of a failure, will be made available for Taiheiyo.

But since all the DIC's funds come from premiums paid by banks themselves that is not much consolation. It is clear the government's favoured solution remains for the banks to take responsibility.

That attitude has been hardened by the fight the government now has on its hands over the liquidation of the country's housing loan companies. The finance ministry's scheme for the liquidation requires the leading banks to take the largest part of the losses. But it controversially, allocates Y685bn of public funds to the liquidation.

The package is bogged down in parliament, stalled by an opposition riding a wave of public disapproval of the scheme, and its outcome is still uncertain. But the uproar has reduced the likelihood of public money ever again being voted to assist lenders.

See feature: Merger heralds new era

Sharp frosts still threaten China-US links

Taiwan crisis may have passed but a host of problems remain

US warships have withdrawn from waters off Taiwan and military exercises ended in the Taiwan Strait, but for China and the US there are more rocky times ahead. The two sides have a host of difficult issues to confront before their relationship enters calmer waters.

"It is a very troubled relationship right now," said Ms Anne Stevenson-Yang of the US-China Business Council in Beijing, whose organisation is fighting its annual battle to persuade the administration and Congress to renew China's most favoured nation trading status in the US.

Diplomats and congressional officials in Washington say that, with the Taiwan situation cooling for the time being, concern centres on intellectual property rights, about which talks resume this week, and on China's sale of nuclear-related equipment to Pakistan.

China is bracing for difficult negotiations this week on intellectual property rights with the arrival in Beijing on Wednesday of Mr Lee Sands, assistant US trade representative, Tony Walker reports from Beijing.

The US and China will continue their review of a 12-month-old agreement to curb intellectual property rights abuses and improve market access for entertainment and information products.

The US has made clear it regards as inadequate Beijing's efforts to curb rampant piracy of such items as CDs and computer software.

Representatives of US "infotainment" industries say losses to US companies due to piracy in the past 12 months are greater than the $866m (£570m) estimated last year. These losses had not been balanced by improved market access as promised in last year's agreement.

The latter has assumed increasing urgency amid fears that China's assistance to Pakistan may have gone well beyond the supply of ring magnets used in the enrichment of uranium. Experts in Washington believe China may have supplied separate help in the production of plutonium.

If these fears prove correct, the Clinton administration would be compelled to impose economic sanctions. Loans from the US Eximbank to China were suspended for one month in February while the evidence was examined.

The administration has yet to announce how that move will be followed up. Mr Ron Brown, commerce secretary, said on Friday that a decision might have to await a meeting between Mr Warren Christopher, secretary of state, and Mr Qian Qichen, his Chinese counterpart, in The Hague on April 19.

Against this background the MFN debate looks as if it will be one of the most difficult ever. "It's going to be a very tough hoe for the administration and for the supporters of the Chinese business connection," said Mr Richard Fisher of the Heritage Foundation, a conservative US think-tank.

The two leading Republicans, Mr Newt Gingrich, the House speaker, and Senator Robert Dole, the majority leader, both voted in favour of renewal last year.

Political analysts say the measure could pass again this year, but they warn that this may depend on whether the administration takes a tough enough line on the intellectual property and proliferation issues. The waters are also muddied by the fact that in an election year the Republicans see political advantage in pushing the China issue.

Among vexed questions, that of the trade deficit is certain to be raised during debate about MFN renewal. China's surplus with the US reached $33.8bn last year, according to US customs statistics, and may well exceed Japan's within the next year or so, making Beijing a target for US protectionists.

But the US-China Business Council argues that "large statistical errors" on both sides are distorting the picture and are primarily due to the "ever-expanding role of Hong Kong as entrepôt in the China trade". It estimates the China surplus at $23bn in 1995, well below the US customs figure.

Argument last week in Beijing between American and Chinese officials over US accusations that China is circumventing textile quotas by exporting through third countries is typical of nagging problems.

The Chinese themselves acknowledge the difficulties, but it is not clear whether Beijing is willing – or even able during a difficult political transition – to make the sort of gestures on human rights, weapons proliferation or market access that might calm US opposition.

Even if the MFN question is resolved, Washington congressional staffers warn that other issues, including Taiwan, could return to haunt the two sides. Analysts said they were struck by the tough line taken by Mr Jason Hu, Taiwan's chief government spokesman, in Washington last week.

There may also be pressure on the Clinton administration to allow Taiwan's President Lee Teng-hui to visit Atlanta to watch his team in the Olympic games this summer.

Moreover, US congressmen are receiving a growing number of fax and e-mail protests from Hong Kong citizens worried by China's plan to abolish the Legislative Council when it takes over in 1997. They are pressing the administration to take a firm line.

The Christopher-Qian meeting in The Hague thus seems bound to be frosty. At their previous encounter last August in Brunei they agreed to try and stop the downward spiral in relations. This time the task will be harder.

Tony Walker and Peter Montagnon

German bank to increase lending in UK

By Peter Marsh in London and Michael Lindemann in Bonn

The UK economy has been given a vote of confidence by IKB Deutsche Industriebank, the main German bank specialising in long-term loans to medium-sized companies.

IKB says it is sufficiently encouraged by prospects for stable inflation and interest rates in Britain that it plans to more than double its UK lending in the next four years.

Most of the extra DM600m ($410m) which it plans to lend would be to UK-owned companies, mainly in manufacturing, rather than the subsidiaries of German companies to which it has traditionally lent in the UK.

Düsseldorf-based IKB is owned mainly by a group of private shareholders spread across Europe and by large insurance companies including Allianz Insurance.

It has been one of the main forces behind the solid expansion over the past 30 years of Germany's Mittelstand companies, which are seen as being one of the chief factors behind the country's long run of economic success.

IKB sees Britain as benefiting from having fewer labour market rigidities than Germany. "This has a lot of appeal to us," said Mr Hans-Werner Seidel, IKB's vice-president for international finance. "In the the UK you can work seven days a week, 24 hours a day."

In its plans for the UK, IKB will emphasise fixed-term, fixed-rate lending of a sort that is seen more in Germany than in the UK. IKB expects that roughly half of the money that it plans to lend over the next four years will be at fixed rates.

The move was welcomed by small-business lobby groups, which have frequently complained that the main UK clearing banks do not properly understand their needs.

Mr Toby Ackroyd, operations director of the Association of Independent Businesses, which represents 12,000 small businesses in Britain, said the IKB move would help to "plug a gap in the market" for fixed-term finance. The Federation of Small Businesses said the IKB move "was a breath of fresh air" for the banking system.

Mr Stan Mendham, founder and chairman of the Forum of Private Business, said the move was "great news for the UK economy".

National Westminster, the main provider of bank loans in the UK to small companies, said the move would lead to bank customers having more choice, though it did not see the plans as a competitive threat.

Midland Bank, the second biggest lender, said the move by IKB would add a further degree of specialism to the UK banking system and was to be welcomed.

The plans for the UK do not mean IKB wants to reduce its influence in Germany, which receives 90 per cent of the IKB's total annual lending of some DM8bn a year.

'We must not leave the door open to further scares'

Beef farmers urge support

By Alison Maitland in London

An alliance of beef farmers from the UK and the Republic of Ireland yesterday called for "aggressive" action to eradicate BSE, including the slaughter of all herds with the disease. They also demanded urgent government support to revive the beef market.

The programme goes further than the plan put forward last week by the National Farmers' Union of England and Wales, the biggest UK farmers' union, and answers what is believed to be a central requirement of the European Commission.

The alliance, called The Farming Collaboration, represents 27,000 farmers in mainly poor, upland regions. Like the union, it wants all animals aged over 30 months to be kept out of the food chain and destroyed when they reach the end of their productive lives. It also wants:

- A cull of animals born before 1989, when the ban began on specified bovine offals such as the brain and the spinal cord entering the food chain.
- The slaughter of any herd where BSE has occurred since 1989 or where it occurs in future.
- Random testing of the brains of dead animals from all herds, to see how widespread the disease may be.
- Collection, rather than burial, of all animals that fall sick, apparently for other reasons, so that their brains can also be tested.
- "Full and realistic compensation".

Mr Fraser MacLeod, the director of the Scottish Crofters' Union, one of the six organisations in The Farming Collaboration, said: "It's much more sensible to take what might be considered harsh and radical action today than to have to go through the same process six or 12 months down the line . . . We must not leave the door open to any further scares." The group said the UK government must step in to buy beef to start the market moving again.

Mr MacLeod said support buying to cover the drop in prices since the BSE scare began 10 days ago would cost roughly £360m ($547.2m) over the coming year. Compensation for farmers for the destruction of older dairy cows is estimated at £500m a year, so the total bill for the measures is likely to be well over £1bn.

Syndicate auctions to expand

By Ralph Atkins, Insurance Correspondent

Lloyd's of London is drawing up plans for a significant expansion of its auction system for places on syndicates at the insurance market. The move follows the success last summer of the first series of auctions, which are seen as an important means of enhancing the rights of "traditional" Names – individuals whose assets support underwriting at Lloyd's.

Lloyd's is facing mounting pressure from the Association of Lloyd's Members and other groups to protect "traditional" Names against corporate investors, trading on limited liability, which have targeted the better-performing syndicates for increased investment. The auctions provide an alternative to the usual system whereby Names rely on Lloyd's agents' personal contacts to secure places on the best syndicates. Last year, four auctions were held in August. Under plans

LLOYD'S

LLOYD'S OF LONDON

being considered by Lloyd's, auctions would be held every two weeks between July and October.

The auction system means that a price is put on rights to join particular syndicates. As a result, Names who want to reduce their involvement at Lloyd's can realise value for their places.

Mr Charles Harbord-Hamond, managing director of CBS Analysis, a Lloyd's adviser, said: "The auctions not only recognise the Names' rights, they also provide Lloyd's with a market driven solution to capacity management."

The fear of many Names is that, without a comprehensive auction system, places on syndicates of those leaving will default to the managing agents which run the syndicates. The agents are then able to offer the places to their own "dedicated" corporate vehicles, investing on syndicates they manage, rather than to other Names.

Last year's auctions saw £4.2m paid for places on 99 out of 170 syndicates.

Company bases its strategy on twins

By Clive Cookson, Science Editor

The world's first company with a business strategy based on twins has been formed in the UK. Gemini Research plans to gather genetic and medical information on 10,000 twins over the next two years, with a view to discovering the genes involved in common diseases.

The first targets are osteoporosis (brittle bone disease), osteoarthritis (painful joints), obesity and diabetes.

Gemini has bought exclusive commercial rights to exploit the twin database established four years ago by Dr Tim Spector at St Thomas's Hospital, London, which already has clinical information on 1,200 identical and non-identical twins.

Gemini plans to have 30 full-time researchers at St Thomas's to extend this database and it will establish a second database at St Vincent's Hospital in Sydney, Australia.

Genetic researchers have used twin studies for many years as a way to help disentangle the effects of heredity and the environment on human development. About one baby in 80 is a twin; 25 per cent of twins are identical.

An investigation in the US, The Minnesota Study, focused on identical twins who were separated at birth, to see how people with the same genes developed in different environments. The Gemini researchers will be looking particularly at non-identical twins who were reared together to see how different genes manifest themselves in people matched for age and upbringing.

Dr Nigel Morrison of St Vincent's Hospital, one of Gemini's scientific founders, says gene discovery companies in the US have made some use of twin studies but none has built its whole strategy around twins.

The St Thomas's twin volunteers are not paid, apart from travel expenses. Dr Spector said: "They want to help medical research, they get a full free medical check-up, and they often use the occasion socially to meet their twin."

Gemini's first £2m funding comes from private investors, mainly on the west coast of the US. It expects to raise more money over the next year and to go public in 1998 or later.

The company is also negotiating corporate partnerships with pharmaceutical groups to help to fund its research.

One of the founders is himself a twin. Dr Paul Kelly of St Vincent's has a twin brother, a lawyer in Brisbane, Australia.

UK NEWS DIGEST

Sega cuts price of Saturn console

Sega, the Japanese computer gamesmaker, is to cut the price of its Saturn console in the UK by £50 ($76) to £249, intensifying the battle for market share between Sega and Sony. Sega says its latest price reduction is part of a three-week Easter promotion, but industry analysts believe it will be hard for the company to restore the price to £299. Sega Europe and Sony Computer Entertainment have both launched the latest generation of games consoles (32-bit) in the past year. Sega launched its Saturn console in the UK last summer, several months ahead of Sony's console, the PlayStation.

Sega's Saturn originally cost £399 but this was cut to £299 to match the launch price of Sony's PlayStation. Sony now has a substantial sales lead over Sega in the UK market in 32-bit consoles. The two companies have also recently cut prices in Japan, the biggest market for video games, in an attempt to eat into sales of Nintendo, the market leader. The European Leisure Software Publishers Association says the UK computer games market was worth £330m in 1995, with Saturn and PlayStation accounting for about 6 per cent of the total.

George Cole, London

Warning on Emu costs

UK banks could find they have to spend millions of pounds more than they expect if they continue to delay preparations for conversion to a single European currency, says the management consultancy BMS Bossard, a subsidiary of France's Bossard group. The main British retail banks would have to invest up to £300m ($456m) each and 3,000 to 5,000 "man years" of effort in converting their systems and training staff for the arrival of the euro, it adds.

Mr Shahram Nikpour, the partner in charge of financial services at BMS Bossard, said UK banks were lagging behind counterparts in France, Germany and Spain. Bossard's estimates of the cost of bringing in a single European currency are based on comparisons with the investments now being made by banks in mainland Europe, and are substantially higher than other estimates. A survey last year by the British Bankers' Association suggested a minimum cost of £914m for the entire UK banking industry.

George Graham, Banking Correspondent

Societies face slimmer future

Most building society executives expect their industry to have shrunk drastically by the year 2000 and believe their customers do not care about their mutual ownership. Building societies are mutually owned savings and loan institutions. A survey of society chief executives and board directors by Hammond Suddards, the law firm, and Mortgage Finance Gazette, found that 69 per cent believed that fewer than 60 of today's 79 societies would survive the next four years. A much smaller proportion believed the building society sector would shrink by half or more. Mergers between societies are the most likely route for consolidation, the survey shows.

George Graham

Car dealers halt expansion

Poor profitability on sales of new cars is leading some of the UK's biggest publicly owned car dealer groups to halt and even reverse plans to take more of the market from smaller independent dealers. A decision by Lex Service, the UK's biggest car retailing group, to dispose of all its Japanese franchises and concentrate on building up more profitable used car sales, represents one of the most striking examples of the trend.

Research done separately by Sewells International, the market monitoring group, and the industry journal Automotive Management provides clear evidence of retrenchment by big groups throughout Britain. Sewells says the country's 10 biggest dealer groups have dropped a total of nearly 40 sites and about 35 franchises in the past 12 months. It is the "the end of an era for supergroups", says Sewells. Figures from Sewells show that the top 10 groups controlled 668 new car franchises from 508 sites at the end of last year, down from 701 franchises and 543 sites at the end of 1994. Among the biggest cuts were by Inchcape, dropping one-sixth of its franchises, and Caledonian – formerly Mr Octav Botnar's AFG group – with a network cut of two-fifths.

John Griffiths, Industrial Staff

RAF veteran retires: The 75 Chipmunk trainer aircraft owned by the Royal Air force are to be sold after one of them made its last flight with the service yesterday. Chipmunks were the RAF's main training aircraft from 1946 to the late 1950s, and have since been used to give air cadets flying experience.

CONTRACTS & TENDERS

THIS WEEK

Two mayors make a study in contrasts

DATELINE

San Francisco: an urban renaissance in the US has thrown the different styles of California's leading mayors into sharp relief, writes **Jurek Martin**

Here is how the mayors of California's most famous cities spent part of last Monday.

In San Francisco, Willie Brown declared 30 of 165 gay and lesbian couples present to be "lawfully recognised domestic partners". He was presiding over a ceremony made possible by a new city ordinance designed to give official blessing to homosexual relationships.

In Los Angeles, Richard Riordan, known as Dick, sat down patiently with the FT to explain why his domain, so plagued in recent years by fire, rain, earthquakes, racial unrest and the OJ Simpson trial, was seriously on the mend.

The two make classic contrasts. San Francisco's mayor has been in office less than three months while his Los Angeles counterpart is already gearing up for re-election next year. Brown is a flamboyant, black liberal, and was a powerful speaker of the California assembly for 15 years before deigning merely to run a city. Riordan, on the other hand, is a soft-spoken conservative venture capitalist seeking to apply sound business practices to urban affairs.

Brown throws off ideas with an in-your-face abandon that belies vast political skills. With typical hubris he told the homosexual couples: "I am proud to be mayor of this city that has already reached the millennium and beyond on this issue." To conservatives across the country, a millennium influenced by Brown would constitute the dark ages.

Riordan, in Los Angeles, is hamstrung by a charter that vests more power in the city council than in his own office. "It should be a capital offence to be a councilman," he wryly remarks. But he can also list with ease numbers demonstrating the improvement in the lot of Los Angeles, and predict with confidence a city which, in 15 years, will have "a strong middle-class, mostly Asian and Latino, probably earning less in real terms than today", but viable as a centre of foreign trade and as the jewel in the multimedia industry's crown.

Big city mayors across the country have been living on short commons for years, with shrinking tax bases and mounting poverty and crime. Yet, miraculously, urban renaissance is all the rage, from Baltimore, Cleveland and Boston in the old east to Phoenix and San Jose in the newer sunbelt and west.

Even New York, bailed out by the federal government in the 1970s and still no bed of financial roses, has a more confident feel to it under Mayor Rudy Giuliani. Still, Hizzoner lost his chief cop last week after a long-running feud, thereby stirring the urban waters again. Riordan would not mind getting a new head of the notorious Los Angeles police department, but lacks the authority to bring it about.

Nevertheless, some mayors must be doing something right. One who conspicuously is not doing so is Marion Barry, the generally reviled mayor of the nation's capital. So incompetent is the city government which he is running for a fourth term (interrupted by a prison sentence) that most of its power has been vested in an unelected financial review board, without whose approval the city cannot sign a cheque of consequence.

Barry, naturally, spends most of his time criticising the board. He has recently been forced back to his old stomping ground – the streets – leading a demonstration against budget cuts for a very particular city extravagance, the University of the District of Columbia. This is an institution, in a region stuffed with good colleges, whose expensive law school produces only a handful of qualified lawyers and where only 20 per cent of undergraduates get a degree within six years. But, to the mayor, it is a symbol of city pride.

Even though he has been on the city beat for only three months, it is hard to avoid comparing Willie Brown with Barry, and not simply because both are black. San Francisco's mayor instinctively understands that his city comprises diverse constituencies, such as its sizeable homosexual component. So, come to that, does Riordan in his refusal to hop blithely on populist state bandwagons against illegal immigration from Mexico and affirmative action programmes for minorities and women.

Barry, on the other hand, speaks only to and for the underclass of his 75-per-cent-black city. He ignores and defies in the process not only his biggest landlord and paymaster, the federal government, but what is left of his middle class tax base, black and white. He does not need to look to California for examples of a better way: 40 miles up the road from Washington, Kurt Schmoke, coincidentally also black, has made a successful fist out of being mayor of Baltimore.

Mind you, Brown will test San Francisco's reputation for laid-back tolerance. He has already proposed deploying ex-gang members on city buses to keep them safe and allowing "cruising" in the Mission district to spice up night-life. Riordan, meanwhile, plods off quietly to Hollywood to try to interest the local council member in his ideas to make it even more of a mecca for star-gazing visitors. Two mayors, two methods – both worth watching.

PEOPLE

Devout about his trade and his god

John Griffiths talks to Bob Edmiston, and finds a motor trader with plenty of conviction

Bob Edmiston bought his first car, a Ford Popular, for £18 and two weeks later sold it for £5. That could be said to have been an inauspicious start for a would-be motor trader – or the act of a Christian. Thirty years on, Edmiston is fully fledged as both.

At 49, he is already the UK's richest motor trade entrepreneur. Yet he is now on the prowl for further businesses to add to the portfolio of International Motors Group, of which he is chairman and sole shareholder.

IM imports and distributes Subaru, Isuzu and Ssangyong vehicles, partners Lex Service in the Hyundai franchise and owns BHH, a local industrial property company. BHH made a substantial contribution to IM Group's last declared profits of £13.3m pre-tax in 1994 on a turnover of £175m.

Edmiston, a devout Christian, is unafraid to wear his convictions on his sleeve. Approximately 40 per cent of his working life is now devoted to church affairs and to administering the activities of Christian Vision, a charitable trust he set up nearly a decade ago, to which he donates several million pounds annually in the form of 10 per cent of IM profits.

An imposing (6ft 4in) figure, brisk but kindly, Edmiston talks about Christian Vision's projects – a short-wave radio station network in Zambia, churches, missions and aid programmes elsewhere in the developing world – with huge enthusiasm. His Christianity derives from a strict Roman Catholic upbringing, first in India, then the UK, finally Kenya, where his father managed Nairobi airport.

That first car transaction, Edmiston admits ruefully, had nothing to do with Christian charity and everything to do with a breakdown. At the time, he was not even a motor trader, but starting work as a reluctant City bank clerk.

Quickly bored, he joined a steel company, resigning just before he could be sacked from the export clerk's job which he had implied he knew well. Undaunted, he got the same job at Chrysler UK, "and Chrysler took the time to train me".

Soon Edmiston will be deciding IM's next move. There is no sense of urgency. The 20-year-old group has never lost money, but it routinely scans new vehicle franchise possibilities. Edmiston indicates that a completely new sector could be added.

The company's aim is to guard against cyclical upsets as much as promote growth. "Selling cars has been a good way of making money and a property portfolio – bought sensibly – has been a good way of retaining it."

What fresh acquisitions will not do, he insists, is slake any thirst for making money. "Things have gone beyond the point where I personally need money," he says. "It is hard to find ambitions now. The only things I seriously want to do are related to the trust. I really couldn't face an interview with God in which he said 'What did you do?' and I said 'Made money', then he said 'What else?' and I could only say 'Made more money'." He pays himself about £600,000 in salary, although for the past several years has taken no dividends.

> **Edmiston confided his worries, not least about jobs, to fellow elders at his church. "And we concluded that it was not my business, but God's. So I said, 'God you'd better solve it'"**

Quickly bored by clerking, Edmiston took a Ford parts job. Bored again, he joined Ford's finance department. That was the turning point, he says, leading to accountant's qualifications at night school and, having married at 20, motor trade moonlighting to make ends meet.

"The cars were a dealer uncle's trade-ins, mostly worth a fiver. We'd just about get them going and sell them for a tenner. We paid him when we'd sold one." By 27, with three children and deeply into church work, Edmiston was a qualified but still broke accountant – and still push-starting old Jaguars to get them to some hapless customer.

"It didn't matter if they broke down afterwards. And no, it didn't give me any real problems with Christian ideals. At the end of the day if you're only paying 10 quid for a car you don't expect to get a lot. I can't think of a time when we really tucked somebody up."

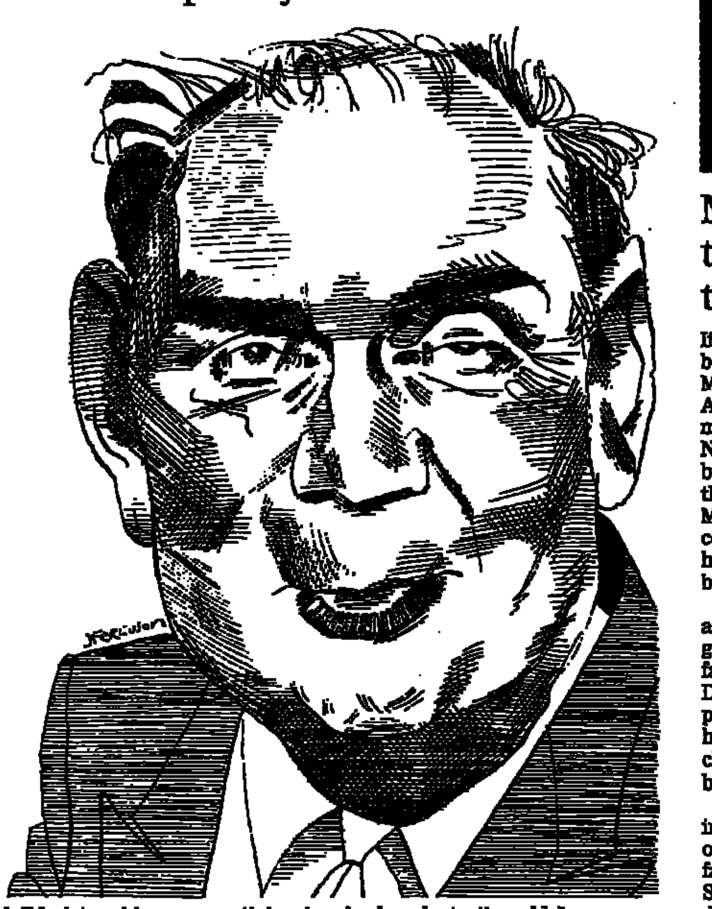
After a swift move up the ladder back at Chrysler, he became financial controller of ill-fated car-maker Jensen. "Within six months I was finance director and in nine months telling them they had to appoint a receiver." He still sees the episode as a godsend.

He started a Jensen parts business out of the wreckage for owner Kjell Qvale in return for a 15 per cent holding, paid with his £6,000 redundancy money. "Within the second month we were in profit and we've never looked back." Edmiston eventually bought Qvale out for £13m-£14m, against Qvale's own £34,000 investment.

Edmiston's current worth? "The Sunday Times said £370m in 1994. But they dropped it to £200m last year, after we'd sold half the Hyundai business, so I've been asking the directors what they've done with the other £170m. The net assets of the business are about £120m. But over the years I've had dividends and taken a good salary."

Providence does seem to have dealt with Edmiston kindly. He was awarded the Subaru franchise, IM's lynchpin, just months after the Jensen receivership. "Ten other companies applied, yet at the last minute they gave it to me. They just said there was something about me they liked."

Providence is credited, too, for the Hyundai car franchise, won at a time when Japanese import restrictions were biting and dealers' Subaru businesses appeared at risk. Edmiston confided his worries, not least about jobs, to fellow elders at his church. "And we concluded that it was not my business, but God's, and so I said 'God, you'd better solve it, because I can't.'"



Bob Edmiston: his career path has involved push-starting old Jaguars

Two days later, he says, the chairman of Hyundai, Korea's biggest car maker, phoned Edmiston offering the UK import franchise. "The following week I was signing the contract in Korea."

Along the way, IM has also picked up the franchises for Isuzu Trooper four-wheel-drives, Maserati cars, briefly – "We only sold 100, and less said the better" – and, most recently, 4WDs from one of Korea's newest vehicle makers, Ssangyong.

IM's stress on 4WD is deliberate, as a market niche offering good margins, despite some rumblings. "Increasingly you hear that 4WD is riding for a fall, that it's a fad. But when the froth does come off it will be the people simply following a fashion who will evaporate."

With son Andrew, 26, already on board examining business development, Edmiston is unlikely to sell or take the business, which employs more than 1,000, public. He shows no enthusiasm for catering to other than family shareholders.

Although he no longer needs to expand, he says that when it comes to it he'll still get a bang out of doing the deal. "And it is no violation of Christian principles to say that we will be tough financially and will negotiate hard."

NAMES IN THE NEWS

Mel and Herb team up with the DeBartolos

If there was any doubt about it before, there shouldn't be now: Melvin and Herbert Simon are America's unofficial kings of the mall, reports Richard Waters in New York. The Indianapolis-based brothers were the powers behind that monument to grandiosity, the Mall of America, a retail and leisure colossus outside Minneapolis that has become one of the country's biggest tourist destinations.

Last week, Mel and Herb emerged as dominant partners in a get-together with another famous family in mall development: the DeBartolos. A merger of their publicly traded retail companies has left the two Simons as joint chairmen. Herbert's son David will be chief executive.

While the late Edward DeBartolo invented the shopping mall (a son of the same name now runs the family business interests), the Simons have been pioneers in a different area. They made their money in strip malls, the sort of sprawling retail developments that now line suburban highways across America.

The story of the flamboyant Mel, now in his late 60s, and his younger brother is a mirror of America's post-war boom. They were born in New York, the sons of poor European immigrants. Mel sold encyclopedias before alighting on a job in real estate in Indianapolis. The Simon empire blossomed with the 1960s consumer boom, and now takes in 122 developments with 82m sq ft of space.

Like other real estate tycoons, Mel has bought his way into more glamorous businesses, including movies in the 1970s and, more recently, the Indiana Pacers basketball team. Last week's deal is also a product of its times. The need for cash led both the Simons and the DeBartolos to sell half interests in their real estate empires on the stock market in the early 1990s. Now, with the US suffering from too much retail space in too many malls, they face the same sort of pressures that have driven other industries into mergers.

Cambre digs in at Newmont

Ron Cambre, who was recruited to Newmont Mining to give the US gold producer a more aggressive approach, last week completed a deal he says will underpin the company's future beyond 2,000, *writes Kenneth Gooding in London.*

Cambre selected Sumitomo Corporation of Japan as Newmont's partner in the Batu Hijau project in Indonesia, which they will now develop into one of the world's biggest copper-gold mines at a cost of $1.5bn.

Although it is the richest discovery Newmont has made, Batu Hijau posed problems for Newmont. It is in a remote area, so the capital requirements are huge and needed at a time when Newmont is committed to other projects. Also, Newmont divested itself of its copper operations to become a pure gold company, one of the biggest in the world thanks to a series of rich deposits it discovered in Nevada.

Batu Hijau is two-thirds copper and one third gold, so to develop it alone would confuse Newmont's "pure gold" image, important because north American stock markets give much higher ratings to gold companies than to those producing other metals. Once Cambre let it be known that Newmont might bring in a partner, the world's biggest copper companies flocked to his door. Cambre says Sumitomo was chosen because, apart from its copper mining and marketing expertise, it has financial strength and experience of working in Indonesia.

Cambre was brought in to Newmont in 1993 by Sir James Goldsmith who, for a few years from 1990, had a 42 per cent stake. Cambre, now 57, had taken early retirement from Freeport-McMoRan, the New Orleans-based natural resources group.

Robert Chote · Economics Notebook

Outsiders push for quota shifts

Strong growth among developing countries and the subsequent changes in the balance of global economic power may force the financial establishment to forfeit some influence

When the International Monetary Fund was created just over 50 years ago, the world economy was dominated by the US and western Europe.

But international financial institutions are having to come to terms with a change in the balance of global economic power, as developing countries gain in importance.

Developing economies produce 40 per cent of the world's output of goods and services, compared to 55 per cent from their industrialised rivals. But for the last 25 years, economic growth has been stronger in the developing countries, and the IMF expects their output to exceed that of the industrialised world within 10 years.

Reforming international institutions to take account of this shift is not proving easy. Structures and voting rights have been slow to adapt because countries whose relative economic importance has been declining are reluctant to see their influence diminish, too.

This has caused frustration among developing countries which feel their success lacks recognition. This came to the fore in 1994, when debate over an issue of fresh special drawing rights – the IMF's overdraft facility for central banks – resulted in a stalemate between the Group of Seven and a large developing country bloc.

A similar problem could arise on Wednesday, when representatives of 20 or so countries meet in Paris to discuss a scheme which would allow the IMF to borrow extra money to deal with Mexican-style financial crises.

Under the so-called General Arrangements to Borrow (GAB), the fund can already borrow $25bn from 11 industrialised nations at market interest rates. In the aftermath of the Mexican crisis the leaders of the G7 decided that it would be wise to double the size of these credit lines, by increasing the contributions of existing members and seeking new participants.

The GAB was created in 1962 to help the IMF deal with strains in the Bretton Woods fixed exchange rate system caused by the underlying balance of payments deficits in the UK and US.

The participants in the GAB created the Group of Ten, which provides a forum in which to discuss international monetary issues. It consists of the G7 countries – the US, Japan, Germany, France, Italy, the UK and Canada – as well as Sweden, Belgium, Switzerland and the Netherlands. Saudi Arabia has associate status with the GAB, but is not in the G10.

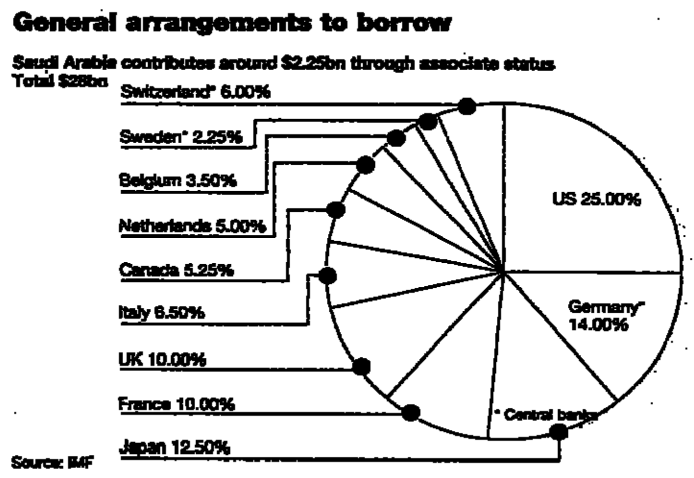
In recent months a variety of countries with healthy foreign exchange reserves has expressed a willingness to join the G10 in offering credit lines to the IMF. These are understood to include Austria, Spain, Norway, Finland, Singapore, Malaysia, Thailand, Korea, Australia, Chile and the United Arab Emirates.

The simplest way to augment the credit lines would be to admit new participants into the existing GAB. Reforming the G10 membership along similar lines would also create a more relevant group to discuss matters affecting the international financial system.

As the repercussions of Mexico's melt-down demonstrated, it is no longer sufficient to discuss these issues in a group confined to the US, Japan, Canada and eight European countries. After all, in 1995 private sector capital inflows into developing countries reached a record $167bn.

General arrangements to borrow

Saudi Arabia contributes around $2.25bn through associate status



Source: IMF

But a straightforward expansion has in effect been blocked by the smaller European members of the G10. They would lose influence if new countries were admitted, without the consolation of continued G7 membership.

The Australians, who backed a simple expansion, are now expected to come to Paris with a proposal to replace the GAB. But it is difficult to see how this would avoid the same objections.

The front-running proposal is to create a parallel set of New Arrangements to Borrow (NAB), which would include both the existing G10 members and the new participants. (It is not clear yet whether Saudi Arabia would retain its associate status with the GAB.)

Originally, it looked likely that half the new resources would be offered by the existing GAB members and half by the new participants. But it now looks as though the new participants will only put up a third of the money.

If the GAB and NAB were activated in parallel, then the old and new participants would contribute in a ratio of five to one. This, fortuitously, would roughly accord with each group's voting share in the IMF. However, those countries in the NAB – but not the GAB – would still have only second-class status.

The key issue at Wednesday's meeting will be the extent to which the putative new participants can get their act together and drive a hard bargain with the G10. Some of these countries have already held discussions, but as a group with diverse interests it is not clear that they will be able to work in concert.

For example, European countries both inside and outside the GAB are keen to ensure that the Asian countries cannot block the activation of any new system.

Another issue is what sort of institutional structure the NAB should spawn. The G20 (or whatever number emerges) will probably hold discussions at the IMF's spring and annual meetings, but proposals for a secretariat are unlikely to be taken up.

Again, differences among the new participants may impede collective action. Australia, for example, is not interested in the institutional agenda.

Some countries want their participation in the NAB to be recognised by an increase in their "quotas" or share capital in the IMF. Korea, for example, is anxious to see its quota reflect the rapid growth of its economy in recent years.

The IMF, which is anxious to proceed with a general review of quotas, would be happy to see the new participants press this point.

The voting structure and rules under which countries can benefit from the NAB will be important items of discussion in Paris. But these arcane debates disguise more fundamental questions.

Are the current members of the international economic establishment prepared to dilute their influence to reflect changing economic realities? And are the outsiders willing and able to force them to do so?

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CHASE

Starting April 1, 1996 no one will carry more weight in the world fi

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Fourth Row: Peter Gleysteen, Pat Bonan, Ken Lay, Nancy Mistretta, D'Arcy LeClair, Leslie Lassiter, Deb Talbot, Dexter Charles, Yvonne Cliff, Karen Keating, Mavis Taintor, Greg Nelson
Fifth Row: Carroll Wetzel, Mark Richardson, Susan Segal, Len Spalding, Tom Swayne, David Nelson, Don Wilson, John Youngblood, Marc Shapiro, Barbara Luttich, Brian O'Neill
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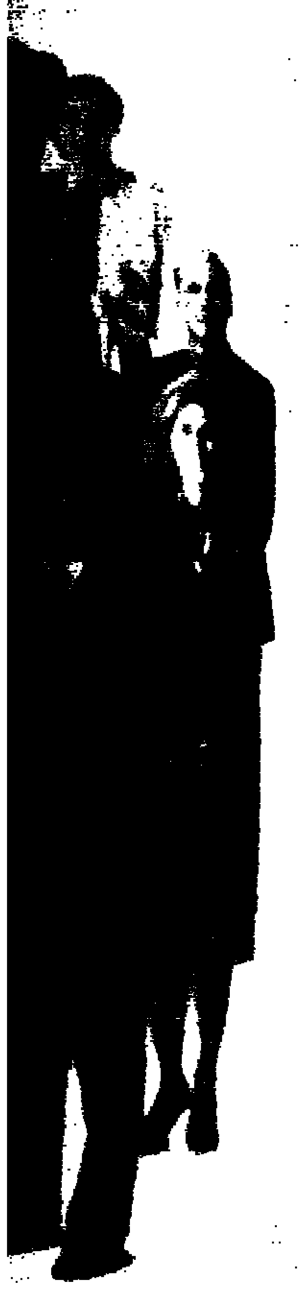
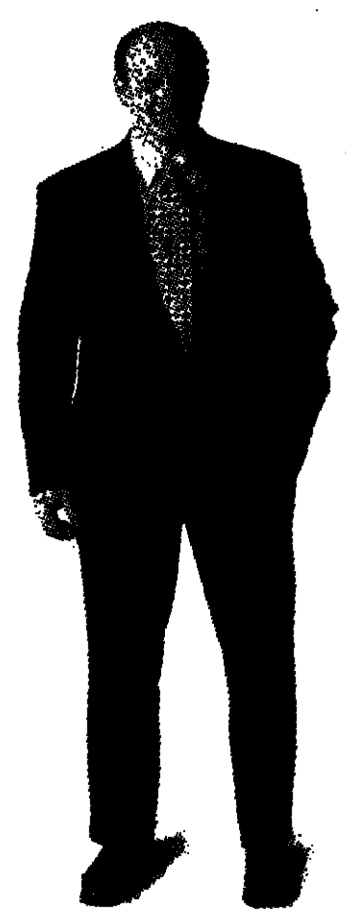
Seventh Row: Gene Marshall, Chris Rocker, Dennis Goggin, Morten Arntzen, Jorge Jasson, Daniel Canel, Bob Gillham, Bill Finnegan, Bill Rockford, Greg Parris, Robert Fallon





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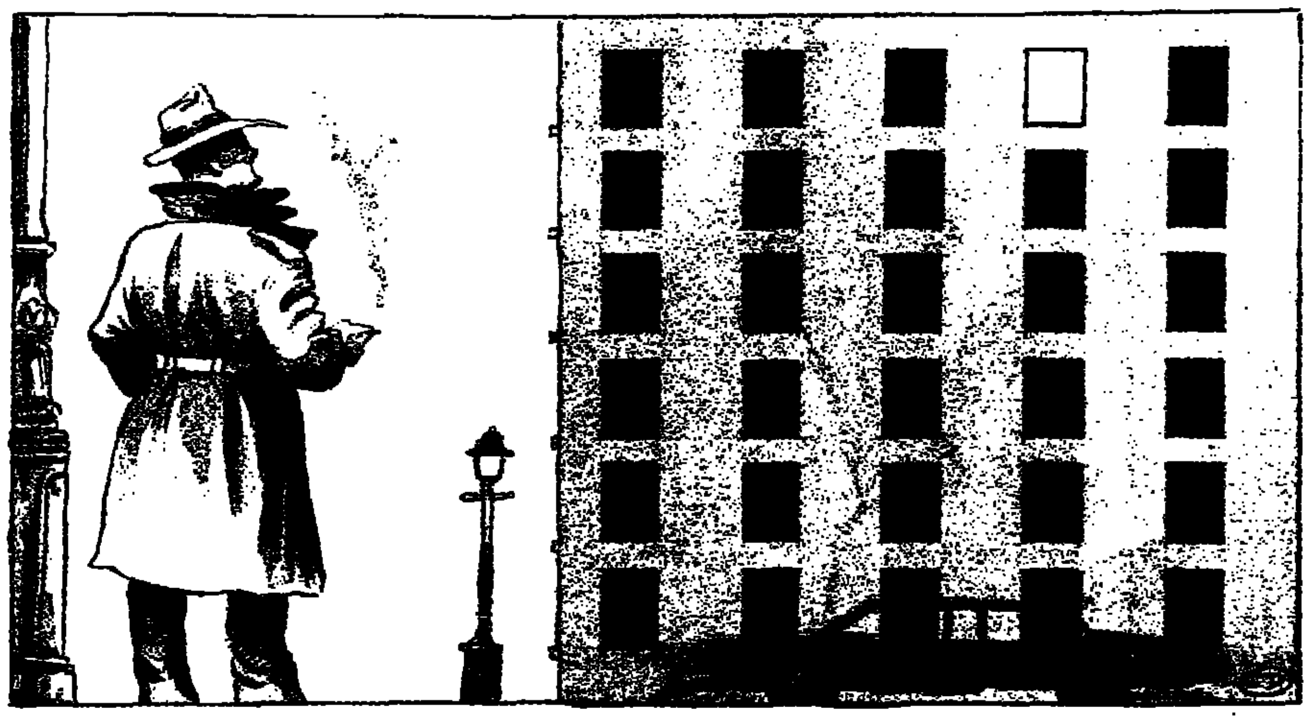
Kroll Associates is struggling to maintain its grip, write **Stewart Dalby** and **Richard Donkin**

The gumshoe and the City



Jules Kroll has been the man behind the magnifying glass of corporate investigation for more than 20 years. Established first as Wall Street's private eye, he brought his own brand of investigation to the UK at the time of big bang and transformed a piecemeal market that had hitherto been occupied by former policemen and military types into a sharply focused business that drew some of the biggest City of London names to his door.

But by 1995 some of his competitors were beginning to think the unthinkable – that the man who could be said to have created an industry was beginning to lose its grip. Kroll Associates, the company which he took into 13 countries, was showing signs of strain. Many of its top people left and some began to question whether it had exhausted its potential for future growth in an uncertain market.

When Kroll Associates was at its zenith during the late 1980s it seemed capable of almost anything. Its colourful, cigar-smoking founder was always ready to take a share of a limelight instinctively shunned by others plying the same trade. Kroll was the first business to offer a one-shop operation for all white-collar crime ranging from corporate investigations and fraudulent cheques to due diligence and asset recovery. While Kroll's turnover was initially almost entirely corporate investigations, by the early 1990s these accounted for no more than a third of its turnover. Asset tracing became an important part of the business.

By the early 1990s, Kroll was turning over $50m (£33m) a year and had offices worldwide, including six in the US, one in London, another in Tokyo and another in Manila. It employed 250 directly, with 1,000 associates, a term that covers sub-contacting private eyes.

Kroll, a former New York attorney, started his business in 1972 when, realising there could be a need for detailed information in corporate turnovers, he started to hire investment analysts, lawyers, journalists and researchers to look into companies.

These suited executives were as far away from the archetypal gumshoe as can be imagined. Often they would be involved in discovering unsavoury or unfavourable facts about predators in hostile takeovers. The late 1970s and early 1980s were years of feverish takeover activity in the US and just as lawyers, merchant bankers and stockbrokers made fortunes from fees, Kroll Associates grew exponentially.

Kroll then decided to repeat the exercise in the UK. In 1985 he established offices in the former Curzon Street headquarters of MI5, before later moving to Savile Row. Again he rode the crest of the wave in a series of hotly contested UK takeovers. Kroll Associates was involved in both the Consolidated Goldfields/Minorca takeover and the Hanson bid for ICI.

It was Kroll that discovered that the late Lord White had a string of racehorses bought for him by his company. This dented the Hanson image at a sensitive time for the takeover, which was eventually unsuccessful.

Alongside its corporate activities, foreign governments hired Kroll for asset recovery, including laundered money. It recovered money for the Pacific country of Nauru, which had been hit by a fraud involving letters of credit and it helped find Russian government money after the collapse of the Soviet Union, although it was unable to recover its full fee for this assignment.

Its very success, however, left it vulnerable to the vagaries of a business which can often fail to provide a steady revenue stream. The offices have proved costly overheads. With the recession in the late 1980s, the climate changed and Kroll found itself having to adapt to differing demands and suffered a haemorrhaging of senior talent on both sides of the Atlantic. In Britain alone the company lost 13 of its best operators by 1995, including Patrick Grayson, the former deputy chairman, and Michael Oatley, its head of operations, who both left to set up jointly a boutique investigations outfit called Ciex.

Ex-policemen such as Tony McStravick, former acting commander of the Fraud Squad, have also left. McStravick has joined a Kroll competitor, Control Risks, which now competes in areas over which Kroll once enjoyed almost complete dominance.

Two other senior investigators in corporate intelligence, Ambrose Carey and Amy Lashinsky, have departed to set up Asmara, now competing vigorously for clients seeking international asset-tracing expertise, an area which Kroll might once have had to itself.

Perhaps the biggest change has been the growing number of competitors capable of carrying out international assets searches. "Everything in this business is international now. If you have to scratch your head when someone mentions Switzerland or if you can't switch comfortably from Moscow to Istanbul to Tokyo when following a line of inquiry you have problems," says Carey.

He adds, however: "Kroll is still in a strong position to attack the very big assignments. It could get a client like the foreign ministry of Kuwait and say 'we can have 40 people on the job on Monday'."

A big problem with Kroll in the UK was a lack of repeat business. Instead of building up a bank of trusted and trusting clients there has been a tendency to engage it for the one-off assignment. Some of these, as in the case of the $8m Kuwaiti government contract to search for Iraqi assets, have brought big rewards and attracted international recognition.

But the old-style digging assignment on behalf of a client in a takeover case has become less common in the UK. It is a sign of the less volatile takeover scene that neither Forte nor Granada saw fit to engage Kroll in their recent takeover battle.

A weakness has been its reward system for some of its most senior people, some of whom thought that the business would have been better served by a partnership structure similar to those of legal and accounting firms. Status titles were dispensed as an inexpensive way of retaining top staff but, ultimately, they failed to prevent dissatisfaction. At one stage the company had seven managing directors in its London office. There proved to be a lot of chiefs and not so many Indians and a lack of proper management structure.

For the past two years turnover has been fairly static at around $50m and bonuses have been frozen. Last year the company is understood to have made a loss in Britain for the first time, though it stayed in profit worldwide.

With payments slow to come in, the question became whether Kroll could outlive the 1990s without some radical restructuring.

Just how weakened the departures of senior personnel has left the company is difficult to gauge, but Kroll is not showing signs of panic.

Kroll brought back Arish Turle, the former SAS captain, from the East Asia to head the London office and drafted in new associated managing directors such as William Waite who used to work for the Serious Fraud Office.

Turle says: "It would be wrong to admit that the company had not begun to drift. Nobody had left for seven years, there was a lack of focus and no clearly defined hierarchy."

He has restructured after an internal consultation exercise, introducing more competitive prices and greater transparency in billing that shows clients exactly what they are paying for. Turnover in January was four times what it was a year ago. "Ninety five per cent of our clients are satisfied and paying on time. Only 5 per cent are slow payers."

He adds: "One problem was that we did not have any proper decision-making mechanisms, everyone was doing their own thing. There is now an executive committee and clear lines of command and agreed arrangements for crossover activities."

As for repeat business, Jeffrey Katz, managing director, says: "We now have clear income streams with regular clients retaining us. Virtually every day a merchant bank phones us and wants us to look into some potential new market. It is true that turnover has been flat for the past couple of years, but the company is in good nick."

Kroll may prove robust enough to meet the changing market demands. It is still the largest and the best known of the corporate investigation companies and in spite of the defections it continues to command respect from many of its former executives.

It may be, though, that small is becoming beautiful once again in corporate investigation. If so, Kroll will have to fight hard to remain at the top of the tree.

Specialists in their field

Where should a company go for its corporate security requirements? In spite of its recent problems Kroll still leads the field but it may not necessarily provide the best service in certain specialist areas.

Hot on Kroll's heels for all-round expertise is Control Risks, which has a turnover of about £13m and employs 240 in a dozen offices around the world. It has earned a strong reputation in its specialities – political risk assessment and kidnap and ransom negotiation – and it is beginning to compete with Kroll in areas such as due diligence.

Asmara and Ciex are two much smaller companies and comparative newcomers but both can command an international network of contacts and expertise that has become essential for global asset searching.

Another sizeable player in the UK is Network Security, a subsidiary of Hambros Bank. Network has built a strong reputation for its investigations of computer fraud. It also has a forensic laboratory which can deliver a range of services from fingerprint work to product tampering analysis. It offers a debugging service under its subsidiary, Communications Audit.

Hambros also owns a specialist security consultant, Defence Systems, which started life by hiring Ghurka soldiers to guard strategic sites in the Middle East, Mozambique and Angola. Today it can offer a range of protection strategies for companies working in sensitive areas. Hambros recently announced it is interested in selling these companies, as it concentrates on core businesses. An unamed US buyer is thought to be interested, as is Saladin, a British rival to Defence Systems in the bodyguard business. Last year Network had a turnover of more than £13m and profits of over £4.2m.

Alongside these operators in other sectors of the market are long-established small but highly respected niche operators such as Carratu, which specialises in investigating breaches of the intellectual property laws, Farleigh, a fraud investigator, and Bishops, which has made its name probing dubious insurance claims. Leading firms of accountants have also set up special units.

Other operators include Political Risk Services, a US group, just setting up in London, which focuses on political risk assessment service, rather like the Economist Intelligence Unit, whose country reports qualify it as a white-collar intelligence group.

Most of these businesses have their roots in three areas – the military, police and, increasingly, the intelligence services. The emergence of businesses staffed by ex-intelligence operatives, looking at such things as political risk, is a comparatively new feature of the market. Some of the specialists are content to concentrate on a narrow but regular area of business, some sub-contract to the bigger companies.

The market tends, also, to be peppered with one or two-man operations, sometimes prepared to sail close to breaking the law to get results, although their methods are not always questioned too closely.

They often work closely with a big operator or with a specific long-standing corporate client, sometimes through a third party such as a corporate lawyer.

Billing arrangements have sometimes been haphazard and lacking in clarity among smaller investigators but clients are beginning to demand greater clarity in pricing if not methods. One experienced investigator says: "It is still a business where you are judged on the results. Whether you get the information in one week or one minute should not matter.

"What you are trying to provide at the end of the day is substantive, accurate and verifiable information to help people make decisions."

Relocation expenses hit the roof

Lucy Kellaway

It costs a lot of money to move house. I know because I have just done it. Estate agents, lawyers, removal men . . . it all adds up. But could it really have cost £833,000 to move the chief executive of SmithKline Beecham from Marlow, Buckinghamshire to Princeton, New Jersey? Had he demolished his splendid UK residence brick by brick and flown each one by courier to the US for reassembly, then one might have understood it. But the payment did not include any allowance for housing, let alone a London Bridge-style exercise. So why was it so expensive?

Relocation packages for senior executives are, shall we say, elastic. As well as all the usual costs of selling and buying houses, they can cover air freight of the grand piano, school fees, counselling, nannies, care of elderly relations, compensation for loss of spouse's earnings, repeated visits to look for accommodation, courses in cultural orientation, language training, hotel accommodation . . .

In Jan Leschly's case most of this does not apply. He already owned his house in Princeton, and his children are grown up. The only extra he might have needed was quarantine for his dog. In addition, the company made sure he was not out of pocket when he sold his Marlow house at a loss and also made good the difference in US dollars. It is hard to believe he lost nearly £1m on one house.

It is possible that SmithKline, like many other large companies, always pays a percentage of salary to compensate for the disruption of moving. As Leschly's salary is so very large this could have been a sizeable sum. (Could there really be any disruption when every possible cause of it has already been taken care of by the company?)

Never mind how the sum was arrived at, it looks bad. Large relocation payments are usually justified on the grounds that there is a free market in executives and if you want them to move they need an incentive. But Leschly needed no incentive to return to his home in the US, and if he lost a bit of money on his UK house then surely he could have shouldered it. One of the beauties of earning £1.8m is that you should be able to look after yourself.

There is no place for satire in the world of management. No matter how silly the spoof, someone, somewhere will have had the same idea and be pushing it in all earnestness.

A few weeks ago I said we should all create our own personal mission statements and print them on our CVs. I was joking. But a reader in Atlanta, Georgia tells me that they have been doing this for some time. Every CV comes with an "objective" that says something like: "I seek an opportunity to apply my skills, education and experience to a winning team."

This is bad news: these fads no longer take any time at all to cross the Atlantic, so I have already drawn up a draft mission statement for myself. "To do my job in an enjoyable fashion and then to go home on time." It does not sound quite right: it is honest, but then honesty was never a defining characteristic of the mission statement.

I expect you dress for success. Most Financial Times readers do. But does your office dress for success? This is not another joke. At least it is not a joke to a company called Successories, which sells "beautiful lithographs" for office walls designed to "create inspirational and motivational themes to positively energise both the environment and people".

These prints each have one big word on them such as Teamwork, Vision, or Persistence, and a picture of rowers, sunsets or a mountain. If you think £650 is a bit much to pay for a set of 12, Successories has alternative ways of fostering team spirit. It sells key rings and pocket medallions with "Whatever it Takes" or "Believe and Succeed" written on them. I can just see these trinkets catching on. At just £3.95 they work out a lot cheaper than giving the team a pay rise.

We live in a competitive world. Markets are global. Buyers compare prices internationally and buy the cheapest. Companies exporting overpriced goods go out of business. All this goes without saying.

Thus it is hard to know what to make of the news that Germany has just had its first taste of international competition courtesy of the Internet. Last week the president of Germany's wholesale and foreign trade association said that exporters were suffering because customers had started checking prices on the Internet and buying cheaper elsewhere.

One wonders what these buyers have been doing all these years. In the dark days before the Internet there was always the telephone. Surely they could have put in a call or two to see if the German exporters were quoting reasonable prices. Either the story is nonsense or the world is rather less competitive than we are often led to believe.

EUROPE'S MOST RESPECTED COMPANIES
FT FINANCIAL TIMES
In association with
Price Waterhouse

Europe's most respected firms

The Financial Times plans to publish later this year its third annual survey of "Europe's Most Respected Companies". Conducted jointly with Price Waterhouse, the international business advisers, the survey gives a unique insight into which companies are judged by Europe's top managers to be outstanding performers – and the qualities perceived as essential to their success.

As well as measuring the overall reputation of European companies among their peers and competitors, the survey will rank them according to more specific criteria. These include effectiveness in satisfying customers, managing employees and maximising shareholder value.

The survey will also name Europe's most respected business leaders. Detailed analysis of the findings will be accompanied by profiles of the most highly rated companies and individuals.

Questionnaires will shortly be sent to selected senior executives of about 1,000 European companies. We should be most grateful if recipients would complete the questionnaires in full and return them to Price Waterhouse. Any queries should be addressed to Yvonne Fletcher at Price Waterhouse, Southwark Towers, 32 London Bridge Street, London SE1 9SY. Tel: 0171-939 3435.

Timely reference work

Given the positive revenue and recruitment trends in management consulting, the publication of a new reference work on the profession looks timely.

The third edition of the International Labour Office's 850-page guide* – which updates the 1986 version – may be mainly for specialists but it has a wealth of information about the nature and purpose of management consulting, consulting in various areas and the management of a consulting firm. It should help practitioners, entrants to the profession and business people wishing to use consultants more effectively.

Divided into 34 chapters and five parts, the book's main purpose is to upgrade professional standards and practices. It adopts an international perspective and consciously opts for an "eclectic" approach providing readers with a balanced picture and leaving them to make up their own minds.

The book has some useful boxes and checklists, and appendices listing such things as professional codes, associations of consultants in selected countries and draft terms of a consulting contract.

A table of useful quotes has some self-serving examples: "Every man, however wise, needs the advice of some sagacious friend in the affairs of life" (Plautus). But Rabindranath Tagore's words – "Do not have the conceit to offer your advice to people who are far greater than you in every respect" – might be useful to tuck away for chief executives unhappy with the results of a consulting project.

**Management Consulting, a guide to the profession. Edited by Milan Kubr. Available from ILO, Vincent House, Vincent Square, London SW1P 2NB. £37.80.*

BUSINESS EDUCATION

Euro union

European business schools could soon participate in a recognition scheme to help potential students decide which are the reputable schools.

Although the European Foundation for Management Development (EFMD), orchestrator of the scheme, refuses to use the word "accreditation", the recognition label would carry similar kudos to the accreditation process run by the American Assembly of Collegiate Schools of Business (AACSB).

The single European system would be in addition to existing national systems. The AACSB and EFMD are also working towards a parallel recognition scheme.

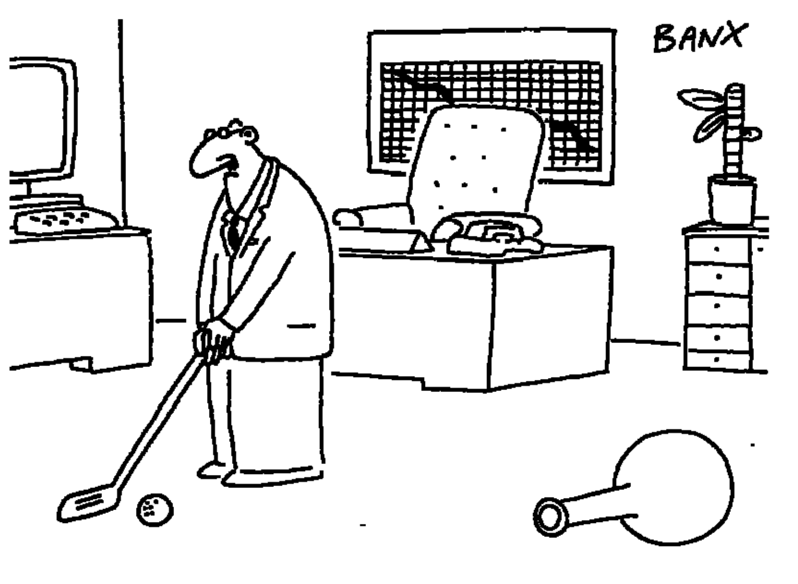
The recognition process will be carried out by teams containing business people as well as business school faculty, says Bernadette Conraths, director-general of EFMD.

The move has been greeted enthusiastically. "If the EFMD goes into accreditation it should be the best accreditation process in the world," says Carlos Cavallé, dean of Iese in Barcelona.

DB

Scientists are learning how to become successful managers, says **Della Bradshaw**

Atoms and ambiguities



Mwangi Wamae, a Nigerian by birth and scientist by training, had been working in a North American software house for several years when he decided to study for a master of business administration (MBA) degree.

He looked at the options available and today Wamae is one of the 30 students on a one-year MBA at Cornell University. Initiated last June, the course has been specifically designed for highly qualified scientists who want to move into management.

With vast cuts in basic research resulting from the end of the cold war and industry cuts, many scientists are now eager to turn themselves into businessmen. "We can no longer afford for there to be two cultures," argues Alan Merten, dean at Cornell's Johnson graduate school of management. "There is less need for highly trained scientists but more need for the diffusion of science in business."

The Cornell course takes scientists and gives them a general management training – rather than training general managers in science or technology. Merten defines the aim of the course as "taking the problem-solvers [scientists] and getting them to understand the ambiguities of business".

Ten of this year's 30 students have doctoral degrees, the rest masters qualifications. Because they had spent so long studying for their previous degrees Merten felt they would not be prepared to spend a further 18 months or two years in study – a view loudly echoed by Wamae. So Cornell developed a one-year course in which the former science students spend 10½ rigorous weeks studying the basics of micro-economics, finance and so on, then join the 230 general MBA students for the final year of their course.

The first element of the intensive course is mathematically biased – marketing is left to the end. "If we'd started with marketing we'd probably have had a rebellion," concedes Merten.

Scientists have benefited from the approach but so too, it seems, have the general MBA students. "The scientists in the class are now asking questions which MBA students never asked before," says Merten.

He cites the example of a marketing class where students had to promulgate how a drug company would market a new medication. One former science student proposed that the students first analyse the properties of the drug – a novel suggestion to most of them.

One of the toughest tests for the Cornell course will be how well the first set of graduates, who will leave the school this June, fare in the job market.

Many of the students are being offered jobs in consulting and banking – a well-trodden route for high-flying MBA students. Others have found a niche in manufacturing, particularly in high-tech companies.

Wamae has been offered several jobs but has accepted one with consultants McKinsey, in Johannesburg. He believes those who have been most successful in the job market are those who had clear aims at the beginning of the course. The short, intense nature of the MBA means there is little time to ponder the future.

"I was committed to going back to Africa," says Wamae. "I thought in this job I could achieve most."

As for prospective students, there are 300 applicants for the 45 or 50 places on the course which starts this year. "We have to make sure we choose the people who have the personality and experience to merge the business world with the science world."

Perhaps it is no surprise that 40 per cent of the applications came over the Internet.

It is no surprise to Merten either that the course has proven so popular. A technologist by training, he candidly acknowledges that he has never taken a business school course in his life. "But," he adds, "if this course had been around I'd have done it myself."

NEWS FROM CAMPUS

Harvard's Odyssey to the rescue

Managers who are in the throes of a mid-life crisis have had a course designed especially for them.

The Odyssey course at Harvard Business School is intended to give managers the chance to step back from the frenetic pace of their careers and think about the direction of their lives for a while.

Most, it would seem, decide to go back to their existing jobs.

Harvard: US, 617 495 6226.

Greener issues for smaller companies

Small and medium-sized companies are being given a helping hand by the European Social Fund to learn about environmental management.

The fund is supporting a course run by the University of Hertfordshire, in Hatfield, which comprises six, two-day modules plus distance learning material. The course leads to a postgraduate diploma qualification.

The European subsidy reduces course fees from £3,400 to £1,200.

Companies eligible for the subsidy have fewer than 250 employees and a turnover of less than £16m.

University of Hertfordshire: UK, 01727 813637.

Corporate directors head for Georgia

Directors and board members who want to study corporate governance and other top-notch topics can now study in America's south-east corner.

The Michael J Coles school of business at Kennesaw State College, based in Marietta, Georgia, will be presenting seminars for corporate directors from the end of April.

Kennesaw State College: US, 770 423 6587.

Handy videos for corporate education

The expertise of Charles Handy, fêted as a management guru, is now available on video.

Available from the BBC, the video series covers topics such as quality, change, team-working and the future of organisations.

BBC: UK, 01937 840222.

BUSINESS EDUCATION

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New world on the waterfront

The redevelopment of Cardiff bay builds on its maritime past, says **Colin Amery**

The future looks bright for Cardiff bay. In 1987 the government set up the Cardiff Bay Development Corporation to plan the regeneration of 1,100 hectares of land to the south of the Welsh capital, and since then the vision of a new maritime city has started to flower.

On land where world records for the export of coal were set, private developers and the corporation are making a new world. The massive Cardiff bay barrage – 1,000 metres of stone and concrete to control the sea – is under construction and is due to be completed in 1998, turning the tidal waters into a 200-hectare freshwater lake and creating an extensive waterfront for new developments.

The scale is big and the opportunities grand. Indeed, on a recent visit I felt a rare confidence that things were going in the right direction.

Unlike the developers of London's docklands, Cardiff is doing things the right way round. Extensive infrastructure is under way, timed to fit in with development. Advice has been taken from one of the best planning architects in the world, Ben Thompson, of Benjamin Thompson Associates, the American firm responsible for a number of undoubted civic successes in the US.

Because Cardiff has a plan, we are likely to see none of the *laissez-faire* that resulted in the haphazard and unsatisfactory development of London's docklands.

Initial development in Cardiff is taking place on prime waterfront land, much of it owned by Associated British Ports Holdings and its property development subsidiary, Grosvenor Waterside. Private development is the key to the successful regeneration of the bay, working, as it is, within the overall strategy of a well thought out master plan.

It is unfortunate that Cardiff bay's architectural prominence began with its recent ill-judged architectural competition for a new opera house, although no one doubts that a fine theatre for music will – in time – play a role as part of the bay's planned renewal.

In fact, there is now much relief that a moderate and locally based approach will ensure that the region gets what it wants in terms of a music theatre – not an imposed solution as the result of an ill-run competition. As that particular cloud lifts from the bay, light falls on what has already been built.

The best building is the new headquarters for NCM Credit Insurance on Capital Waterside, close to the towered late Victorian Pierhead Building that dominates the inner harbour. The architect for this landmark building is HMA.

The building is an architectural and commercial success: 11,000 square metres were pre-let in 1992, as a result of which the client had the opportunity of working closely with the architects and developers, Grosvenor Waterside, to achieve what it needed. It sets a commercial standard that is both high and imaginative.

The client asked for one particular thing: that the light and life of the maritime world of the bay should somehow become a part of the office building. The shape of the site helped with this requirement because the architects were able to design a prow-shaped plan which projects the whole building into the bay.

At the centre is a large, full-height atrium that opens the entire office block to the light and the water. The atrium is not one of the many useless high spaces that have become a cliché of modern office developments. Instead, it is genuinely the circulation centre of the company, and because it has galleries and walkways at all levels it is permanently active and somehow draws people towards the maritime views. It is a bit like being on an enclosed pier that happens also to be an insurance office.

From inside and outside, the architects have liberally interpreted the seaside associations. The roof of the atrium is a free flowing sail shape, while the curved walls suggest the sides of a powerful ship. Columns are rounded like masts and the use of fine timber finishes evokes a well-made yacht.

I was struck, too, by the unobtrusive services – including circular vents for air from the displaced air circulation system – and the high standard of detail throughout the building.

NCM Credit Insurance sees the value of a quality environment for its employees, and insisted that 80 per cent of the offices which are open plan are within sight of a window so that staff can enjoy the coastal views.

The company's policy of leasing a variety of artworks to adorn the offices and public spaces also shows commendable sensitivity. Office life today for many of us is largely spent looking at a screen or being on the telephone, often both things at the same time. The opportunity for enjoying the architecture of our surroundings comes as we walk to lunch or a meeting.

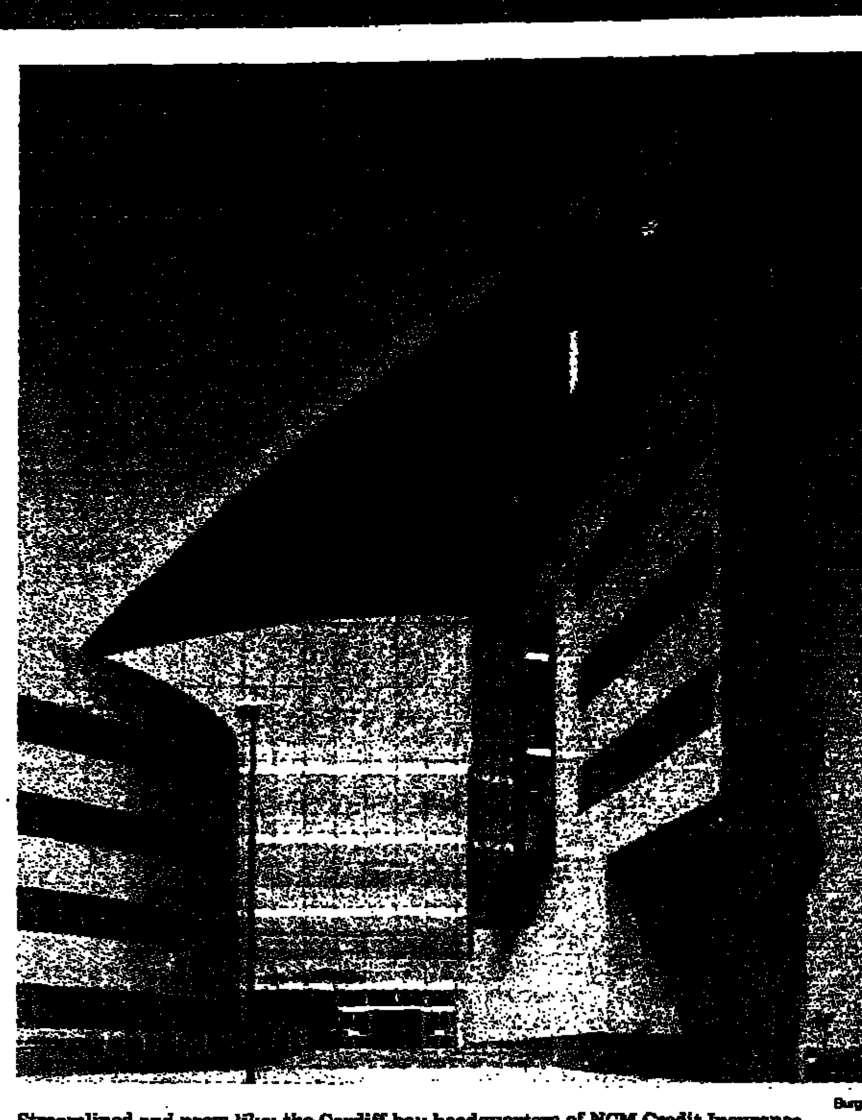
In contrast, this Cardiff bay office building has a real sense of collegiate community that has been achieved by the architecture. There is a strong sense of the quality of the surroundings enhancing the quality of working life. This must be the aim of architects at all times, but I have always sensed that it is only achieved when the architects are working closely with the client and when egos are forgotten.

There is an equal sense of this desire to enhance the working and living environment in the rest of the Cardiff bay development. The place is stunning, and the decision to allow the Cardiff Bay Art Trust a large role has helped enliven the development.

Remarkably, even the sinuous form of the barrage itself has been seen as an artwork under the guidance of architects Alsop and Stormer, and its surface will be treated as a linear park. Throughout the bay, 30 artists have been at work, adding a liveliness that is inspirational.

Quality pays, and it is to be hoped this policy will continue, especially in the next phase of commercial development and in the urban village of houses that will attract residents to the area.

All this is only a kilometre from the centre of Cardiff – a city that is undoubtedly on the architectural cutting edge and making the best of its naturally beautiful setting.



Burgum and Boorman

Streamlined and prow-like: the Cardiff bay headquarters of NCM Credit Insurance

Boat Race still in a class of its own

Keith Wheatley meets the director of 'True Blue', also known as 'Chariots of Fire – With Boats'

Ferdinand Fairfax rowed at Eton. It was a dreadful mistake. "I thought you could slide off down the river, park up and read a book. It wasn't a bit like that," he recalls, 30 years on.

Fairfax is now a successful film and television director, hardly the sort of hearty you might expect to find pulling an oar in a racing eight. Yet for the past six years he has lived the Boat Race more intensely even than the young men who will make up the university crews of Oxford or Cambridge on Saturday.

True Blue, the Fairfax film about the race, has finished shooting on the Thames just in time for the real event to use the tideway unhindered. Filming was the easy part. The previous five years, spent hustling for a production budget, were far more taxing.

Trying to pitch the annual Oxford vs Cambridge rowing race to the average Hollywood producer is a sketch that Fairfax should take on the road as a form of stand-up comedy. *True Blue*, taken from the book of the same name, is based around the events of the 1987 race, when the Oxford crew famously mutinied and a motley collection of stand-ins rose above their ability and beat Cambridge.

Why Fairfax, a film school intellectual with virtually no interest in sport, should have become hooked on this event is interesting. Indeed, rowing is the ultimate niche sport. Apart from those who take part, almost no one else is interested – with the exception of the Boat Race.

For this one event the global television audience is said to exceed 250m. Beefeater Gin sponsors it at a cost of £1.3m a year. This causes bemusement at the UK's Amateur Rowing Association. Despite continuing Olympic successes, the ARA struggles – with little reward – to find sponsors.

Perhaps Fairfax, an outsider who has now lived briefly on the inside, could explain the riddle. "Boat Race? No one gives a damn about the Boat Race," he says. "It's a total anachronism." However, he adds that for those who take part "it's a commitment to one brief moment that affects people for the rest of their lives. And despite the muscularity, it's all in the head. Look at the finish on Saturday. The winning team could go out and row the course again. The losing team are ready to be carted off to hospital."

He tells an actorish story to illustrate how much the Boat Race means to the participants, even years later. Hugh Laurie, the actor and comedian whose life has been garlanded with success since leaving university – he rowed for Cambridge – had invited Fairfax to dinner. Fairfax remarked on the oar mounted on the wall above the fireplace. "That's not mine. It's my father's," replied Laurie through clenched teeth. His crew had lost to Oxford, and thus not been awarded their oars.

Jim Garman was a member of the Cambridge crew who lost against the odds in 1987. "It was four months before I could talk about that day to anyone," he says.

According to those who have been on the set of *True Blue*, the young actors (none of them originally rowers) playing the Oxford crew became totally possessed by their roles. "Every time the University of London eight, who doubled for Cambridge, were on the river with us they just wanted to race the pants off them," says Fairfax.

Perhaps because of the nationalistic overtones of the 1987 mutiny, the new film has been dubbed *Chariots of Fire – With Boats*. Certainly there is a vein of anti-Americanism in the saga, which had its roots in the fashion for bringing over large, strong American Ivy League postgraduates to row in the Oxbridge boats.

In 1987, chance brought an explosive mixture together in the Oxford crew, including Chris Clark, a Californian with the attitudes and expectations of a near-professional athlete; Dan Topolski, the man-about-town Oxford coach with an unprecedented streak of consecutive wins behind him; and Donald MacDonald, the Oxford president (skipper).

There were definitely internal divisions, but the subsequent conflagration was fuelled by headlines such as "Brash Yanks Hijack British Institution". When the five Americans left the crew, MacDonald led his reserves to victory against all odds.

I couldn't resist asking Fairfax how that ending plays in Hollywood. "Well, it is true that they see the film in terms of *Chariots of Fire*," he admitted. "But all they remember about that movie is that it won an Oscar and took millions of dollars."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 31.03.96: Pool purchase price £/MWh	Firm Prices for Trading on 02.03.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.83	9.68	9.68
0100	[illegible]	13.64	14.82
0130	[illegible]	13.64	14.82
0200	15.15	13.64	14.82
0230	15.47	13.64	14.82
0300	15.47	13.64	14.82
0330	19.47	8.94	10.12
0400	15.15	8.94	10.12
0430	7.03	8.94	10.12
0500	9.18	9.08	9.08
0530	6.99	9.01	9.01
0600	6.99	9.01	9.01
0630	6.97	9.01	9.01
0700	6.97	9.01	9.01
0730	6.97	9.01	9.01
0800	6.97	9.01	9.01
0830	6.97	9.02	9.02
0900	9.07	9.06	9.06
0930	9.07	9.18	9.18
1000	6.99	9.24	9.41
1030	6.72	11.72	12.98
1100	6.69	12.95	14.13
1130	6.69	13.26	14.12
1200	6.69	13.31	14.49
1230	6.69	14.63	15.81
1300	6.69	14.63	15.81
1330	6.69	13.31	14.49
1400	6.69	12.84	14.11
1430	6.99	12.43	12.43
1500	9.09	12.41	12.41
1530	9.04	12.41	12.41
1600	9.04	12.41	12.41
1630	9.04	9.18	9.18
1700	9.04	9.18	9.18
1730	9.04	9.18	9.18
1800	9.04	10.71	10.71
1830	9.05	14.99	16.16
1900	9.16	19.68	20.86
1930	9.16	19.68	20.86
2000	6.99	19.68	20.86
2030	6.99	19.68	20.86
2100	6.99	13.65	14.83
2130	6.99	12.95	14.13
2200	6.99	13.54	14.72
2230	6.99	10.34	11.52
2300	6.99	8.24	9.41
2330	6.99	9.18	9.18
2400	6.99	9.16	9.16

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 01.04.96: Pool purchase price £/MWh	Final Prices for Trading on 04.03.96: Pool purchase price £/MWh	Pool selling price £/MWh
0000	9.05	14.83	14.63
0100	9.02	14.83	15.69
0130	12.63	14.83	15.69
0200	14.39	14.83	15.69
0230	14.39	14.83	15.69
0300	14.39	14.63	15.69
0330	14.39	14.63	15.69
0400	15.35	14.63	15.69
0430	15.35	14.63	15.69
0500	15.33	10.34	11.40
0530	9.32	9.18	9.16
0600	9.32	9.16	9.16
0630	9.42	9.68	9.68
0700	11.68	12.68	12.68
0730	39.65	14.53	15.59
0800	43.10	14.38	15.45
0830	47.34	14.54	15.68
0900	47.56	15.08	16.30
0930	43.96	16.63	18.01
1000	38.39	17.21	18.70
1030	38.41	17.22	18.71
1100	35.46	17.01	18.48
1130	35.37	16.14	17.53
1200	37.83	16.04	17.41
1230	37.28	15.79	17.11
1300	36.49	15.46	16.72
1330	33.29	13.25	13.25
1400	30.90	13.17	13.17
1430	31.13	13.10	13.10
1500	30.96	13.09	13.09
1530	31.02	12.86	12.86
1600	27.21	13.13	13.13
1630	33.40	12.46	13.46
1700	41.14	14.65	14.65
1730	40.97	19.27	20.78
1800	40.64	23.27	25.20
1830	32.73	30.09	32.77
1900	29.69	41.48	45.11
1930	29.69	37.00	40.04
2000	32.73	25.67	27.78
2030	41.48	14.86	16.08
2100	41.48	14.55	15.82
2130	41.43	14.51	15.82
2200	39.56	14.19	15.25
2230	29.69	12.68	12.68
2300	29.60	12.46	13.46
2330	25.46	11.72	11.72
2400	11.53	9.68	9.68

THE WEEK AHEAD

UK COMPANIES

TODAY
COMPANY MEETINGS:
Fleming American Inv Trust, Trinity House, Tower Hill, E.C., 12:00
Fleming Claverhouse Inv Trust, The Insurance Hall, 20 Aldermanbury, E.C., 12:00
Serco, Serco House, Hays Road, Southall, Middlesex, 10:00
TR Pacific Inv Trust, 3 Finsbury Avenue, E.C., 12:30
BOARD MEETINGS:
Finals:
31 Smaller Quoted Co's
Automotive Products
Burmah Castrol
Caverdale
IBC
Innovative Technologies
London & Manchester
Macallan-Glenlivet
Pittencrieff Resources
Radamec
Reunion Mining
Sharpe & Fisher
Tanjong
Ulster TV
Interims:
Chartwell International
Frogmore Estates
International Biotechnology

TOMORROW
COMPANY MEETINGS:
Amicable Smaller Enterprises Trust, The Grosvenor Building, 72 Gordon Street, Glasgow, 2:30
BWD Securities, Woodsome House, Woodsome Park, Fenay Bridge, Huddersfield, 11:30
Herald Inv Trust, 99 Charterhouse Street, E.C., 11:00
Shandwick, The Britannia Intercontinental Hotel, Grosvenor Square, W., 12:00
BOARD MEETINGS:
Finals:
Brooks Service
CIA Group
CLS
Chelsfield
Clydeport
Dagenham Motors
Focal Properties
GBE International
Gowrings
JBA
Kynoch
Oasis Stores
Pascoe's
Scholl
Tarmac
Trafficmaster
Walker Greenbank
Waterford Wedgwood
Watts, Blake, Bearne
Yorkdale
Interims:
Halstead (James)
Highland Distilleries
Innovations Group
Old Mutual South Africa
United Friendly

WEDNESDAY APRIL 3
COMPANY MEETINGS:
Beta Global Emerging Markets Inv Trust, 3 Bolt Court, Fleet Street, E.C., 11:45
Hardys, The Brewery, Chiswell Street, E.C., 12:00
Porvair, Kings Lynn Town Hall, Saturday Market Place, Kings Lynn, Norfolk, 12:00
River & Mercantile Trust, 25 Copthall Avenue, E.C., 10:00
Yeoman Inv Trust, Bride House, 20 Bride Lane, E.C., 11:45
BOARD MEETINGS:
Finals:
Atlas Converting
Blockleys
British Dredging
Chepstow Racecourse
Chime Communications
City Centre Restaurants
Dewhirst International
Fitzwilton
Goldsmiths Group
Howden-Stuart
Laird
Primedale
Rugby Estates
United Industries
Vymura
Interims:
BWI
Lloyds Chemists
Lyons Irish
McKechnie

THURSDAY APRIL 4
COMPANY MEETINGS:
First Choice Holidays, The Farmers & Fletchers Livery Hall, 1 Cloth Street, E.C., 2:30
Metal Bulletin, Stationers Hall, Ave Maria Lane, Ludgate Hill, E.C., 12:00
BOARD MEETINGS:
Finals:
Bailey (Ben) Construction
Billiton
First Russian Frontiers
Friendly Hotels
Home Counties Newspapers
McAlpine (Alfred)
Martin International
UK Safety
Interims:
London & St Lawrence
Superscope VR

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

TODAY
Air Prod. & Chem.6⅝% Nts. '97 £95
Allied Domecq 5¾% Unsec. Ln. £2.625
Do. 5¼% Unsec. Ln. £2.875
Do. 6¾% Unsec. Ln. £3.125
Do. 7½% Unsec. Ln. £3.75
Do. 7¾% Unsec. Ln. 1993/8 £3.875
Allied Lon. Props. 5¼% Conv. Cm. Pf. 2.5875p
Asda Prop. 10½% 1st Mort. Db. '11 £5.15625
Austin Reed 8% Cm. Pf. 2.8p
BAA 11¾% Bds. '16 £587.5
Baldwin 7% Cm. Pf. 2.45p
BET Perp. Db. £2.5
Bristol Water 6.75% Conv. Rd. Pf. 3.375p
Bristol Water 8¾% Cm. Irr. Pf. 4.375p
Brit. Funds 2½% Treas. £1.25
Brit. Gas 7¾% Bds. 2000 £78.25
Do. 8¾% Bds. 2003 £81.25
Brit. Land 8.625% Pf. '11 £34.4054
Brit. Telecomms. 12¼% Bds '03 £306.25
Britton Cm. Conv. Pf. 2.25p
Broken Hill 10⅝% Mort. Db. '12 £5.3125
Caffyns 8½% Cm. Pf. 2.275p
Do. 10% Cm. Pf. 5p
Carclo Eng. 10.5% Cm. Pf. 5.25p
Carlton Comms. 2.75p
Chesterfield Props. 5.25% Conv. Cm. Pf. 2.625p
Chubb Elect. Power 7¾% Nts. '01 £873.75
Coastal Corp. $0.10
Cooper (F.) Conv. Cm. Parrtg. 3.25p
Courtaulds Clothing 7½% Cm. Pf. 2.625
Craig & Rose 5% Cm. Pf. 1.75p
Crest Nicholson 5½% Conv. Cm. Pf. 2.75p
CRH 7% 'A' Cm. Pf. IR2.695p
Dal-Ichi Kangyo 7⅝% Conv. '04 $96.875
Danka Business 6.75% Conv. Sub. Nts. '02 $3.375
Dublin Corp. IR£0.875
Dyson (J) 1.5p
Eastern 8⅝% Bds '04 £89.75
Electricity Supply 8.25% '03 £4.125
Essex & Suffolk Water 8⅝% Rd. Db. 97/99 £4.3375
Do. 11.2% Red. Db. 2005/8 £5.60
Do. 11⅞% Red. Db. 2002/4 £5.875
Fitronic Comtek 0.75p
First Choice Holidays 2.45p
Fiscal Props. 7¼% Conv. Unsec. Ln. '20 £3.75
Fleming Contl. Euro. Invs. Tst. 1.575p
Do. 3% Cm. Pf. 1.75p
Fleming High Inc. Invs. Tst. 1.15p
Fuji Bank 1¾% Conv. Bds. '02 $43.75
Fujisu 3% Conv. Bds. '99 $75
Do 5¾% Conv. Bds. '98 $27.50
Gen. Accident 7½% Cm. Irr. Pf. 3.9375
Gen. Cons. Invs. Tst. 5¼% Cm. Pf. £1.925
Granada 7.5p
Grand Met. 4¾% Cm. Pf. 1.6625p
Greycoat 9.5% Bds '03 £475
Do. Stppd. Cpn. Db. Mort. Nts. '02 £15.625
GTE $0.47
Hampson Inds. 3.25p
Heron IR 0.95p
Heywood Williams Conv. Rd. Pf. 3.375p
Hull 2¼% Red. £1.25
Do. 3½% £1.75
Hydro-Quebec FRN. '05 $143.77
Illingworth Morris 6¼% Cm. Pf. 2.275p
Do. 6¼% 2nd Cm. Pf. 2.275p
Inchape 0.2p
Ireland 8¾% Cap. 2010 IR£4.25
Do. 12% Fin. 97/02 IR£6.00
IWP Intl. 12% Gross Cm. Pf. IR4.82p
Johnson Matthey 8% Cm. Pf. 1.75p
Kunick Conv. Cm. Pf. 3.5p
Do. 6.25p Cm. Pf. 4.125p
Leeds (City of) 13½% £6.75
Lon. Mort. FRN. 2035 £1,589.79
Leo 2 Mort. FRN. 2035 £98.67
Do. FRN. 2032 £167.52
Liverpool 3% Red. £1.50
London 3% '07 £1.50
Marshalls Conv. Cm. Rd. Pf. 3.25p
Menzies (John) 4.5p
Do. 9% Cm. Pf. 4.5p
MEPC 10½% Unsec. Ln. '32 £5.25
Do. 12% Deb. 1/02 '01 £5.00
Mercury Keystone Invs. Tst. 7¾% Deb. '20 £3.875
Do. 11¾% Deb. 10/15 £5.8675
Mid Kent Water 3% Db. £1.50
Do. London Bridge £1.25
Do. Mid Water 3% £1.50
Mid Kent Hldgs. 10% Rd. Pf. 5p
Mid-Sussex Water 10% Rd. Db. 12/17 £5
Do 12% Rd. Db. '19 £6
MITIE Grp 1.8p
Mitsubishi Bank 3⅜% Conv. Bds. '04 $175
Mitsubishi Elect. 2⅜% Conv. Bds. 2000 $71.875
Do. 5% Conv. Bds. '98 $131.25
Do. 5⅜% Conv. Bds. '98
Morgan Crucible 1.625p
Do. 3.5% Cm. Pf. 1.75p
Morton Sundour 3.5% Cm. Pf. 1.75p
Motor World 3.4p
NEC 2⅜% Conv. Bds. 2000 $71.875
Do. 5⅜% Conv. Bds. $131.25
Do. 5⅛% Conv. Bds. $28.75
Northern Electric 4.47p
OKI Elect. Inds. 6.5% Bds. 2000 Y650,000
PCO Fin. 8% Conv. Cap. Bds. 2005 £200
P & O 5% Cm. Pf. £1.75
Port of Lon. Auth. 3¼% 49/99 £1.75
Prowting 9.8% Cm. Pf. '02 4.4p
PSIT 2.25p
Queens Moat Houses 10¼% Mort. Db. '20 £5.125
Reading Corp. 3½% £1.75
R.E.A. Hldgs. FRN. 1995/8 3.875%
Republic NY Corp. $0.36
REXAM 7.75% Conv. Pf. 3.875p
Selsey Lease Mng 7.25% Mezz. Secd. Nts. '01 £181.25
Do. 5.8% Sen. Sec. Nts. £1,450
Sara Lee Corp. $0.19
Scotwood Inds. 0.5p
Scottish Hydro-Elect. $0.8126
Sears Roebuck $0.23
Shell Trans. and Trading 5¼% Cm. Pf. 1.925p
Simon Eng. 6% Cm. Pf. 2.1p
Smith (W.H.) 5.25p
Standard Chart. 7¾% Non-Cm. Irr. 3.8875p
Do. 8¼% Non-Cm. Irr. 2.464p
State Bank NSW 8% Bds. '03 NZ$80
Stewart & Wright 6% Cm. Pf. 0.75p
Sun Alliance 7¾% Cm. Irr. Pf. 3.6875p
Taylor Woodrow 9¼% Mort. Db. '14 £4.75
Treforest Silk Printers 6% Non-Cm. Pf. 2.1p
Unitech 2.55p
Whitbread 5½% Cm. Pf. 1.925p
Do. 5¾% Irr. Unsec. Ln. £2.875
Wigan Corp. 3% Rd. £1.50
Willis Corroon 1.65p
Wimpey (George) 3.5p
Wilson Inv. Co. 8¼% Db. '16 £4.25
Woolcombers 7½% Cm. Pf. 2.625p
WT Foods 0.5p
Xerox Corp. $0.87

TOMORROW
Abbey Natl. Treas. 8% Gtd. Bds '03 £80
Aeon 0.72p
BOC 12¼% Unsec. Ln. 12/17 £6.125
Copyright Promotions 0.5p
Gowett High Income Invs. Tst. 1.12p
Heritage Bathrooms 0.5p
Manweb Inc. 6.45% Bds. '97 Y645,000
Do. 6.45% '99 Y645,000
Mithras Invs. Tst. 1.5p
New Zealand 8% Bds. 1997 $400
Southern Newspapers 4.5p
Verity Grp. 0.05p
Wellington Underwriting 3p

WEDNESDAY APRIL 3
Birkby 2.2p
Brick 3p
Housing Fin. Agency 4% '15 IR£2.794
Italy 9⅛% Nts. '97 $937.5
Liberty Life Assoc. Africa R1.40
Ransom (Wm) 0.768p
River & Merc. Geared Cap. Inc. Tst. '99 1.6p
Sesoon Hldgs. 1.23p
Ward Hldgs. 1p

THURSDAY APRIL 4
Alvis 5.5% Conv. Cm. 2.75p
Banks (Sidney C.) 4p
Burtonwood Brew. 7% Cm. Pf. 2.45p
Edinburgh Income Tst. 1p
Edinburgh Investment Tst. £2.875
Gelford 0.5p
General Cons. Invs. 2.88p
Kleinwort High Inc. Tst. 2.35p
Marling Inds. 0.25p
Mays 3.97p
Rubicon 2.2p
Second Alliance Tst. 15p
4¼% Cm. Pf. £1.575
Securicor 3.118p
Do. A Non. Vtg. 3.118p
Do. 4.55% Cm. Partg. Pf. 82.755p
Security Services 5.826p
Sinclair Hldgs. (W.) 1.9p
Tarmac Fin. (Jersey) 9¼% Conv. Cap. Bds. '06 £47.50
TR Far East Income Tst. 1.6p
Wick Tech. $0.15
Worthington 0.8p
Yeoman Invs. Tst. 2.5p

FRIDAY APRIL 5
Amicable Smaller Ent. Tst. 1.5p
Bradford Prop. Tst. 10.5% Cm. Pf. 5.25p
Brit. Funds 2½% Ann. $0.625
Do. 2½% £0.625
Do. 8% Treasury Ln. 02/06 £4
Do. 3% Treasury £1.50
Cleveland Place 3¾% Irr. Db. £1.875
Do. 4½% Irr. Db. £2.125
Met. Water Board Grand Junction £1.50
Do. West Middlesex 3% Db. £1.50
Premark Intl. $0.27
Rank Org. 8⅝% Bds. 2000 £637.5
Schlumberger $0.375
Scottish Am. Inv. Co 1.27p
VDC 5.5p

SATURDAY APRIL 6
Abbey Natl. 10⅜% Non-Cm. Pf. 3.775p
Do. 10⅜% Exch. Cap. Secs. £45.56
Bampton Property 7¼% Unsec. Ln. 1991/6 £3.875
Bellway 9.5% Cm. Rd. Pf. 2014 4.75p
Cantors 1p
Eurocopy 1.55p
Greenalls 8% Irr. Unsec. Ln. £4
Do. 9¼% Irr. Unsec. Ln. £4.625
GWR 1.31p
Scottish National Tst. 1.7p
Whitbread 7¼% Unsec. Ln. 95/99 £3.625

SUNDAY APRIL 7
Brad. & Bingley Bldg. Soc. 13% Perm. Int. Brng. £650

مكتبة من الاهل

MEDIA FUTURES

Eminent Victorian on site

A monument to Ruskin will be his launchpad into cyberspace, says Martin Mulligan

Brick by digital brick, a monument to the work of John Ruskin is forming in cyberspace. The Victorian sage, critic and social reformer already has his own dedicated page on the UK's Lancaster university Web site, and a digital map of Ruskin sources worldwide is on the drawing board. But much more is in store.

Last September, the university won £2.3m in national lottery money to build a Ruskin library on its campus outside Lancaster, close to England's Lake District and Brantwood, Ruskin's lakeside home. The library will eventually incorporate a pioneering electronic project to make the master's life work more widely available. Ruskin himself might be impressed by the progress.

The inner sanctum which will house Ruskin's collected papers and artworks is now constructed. The rest of the library building – byzantine in colouring, gothic in mood, and designed by Richard MacCormac to resemble a medieval cathedral in miniature – is going up.

The digitisation of the Ruskin collection is among the most ambitious projects of its kind. The British Library may be digitising Beowulf, but Lancaster's is a project of another order. Eventually the hope is to translate all Ruskin's 1,700 artworks, 29 diaries, 300 literary manuscripts, 1,800 photographs and daguerreotypes, and 8,000 letters into electronic analogues.

The day may not be far off when a teacher at a computer screen in Chicago can browse through *The Seven Lamps of Architecture* or a student in Chittagong access, say, a fully digitised illustrated edition of *Unto This Last* (which was Gandhi's favourite book). The digital project will allow simultaneous multiple access worldwide to the catalogue and to all the materials in their electronic forms.

Jacqueline Whiteside, librarian of Lancaster university, commissioned a 40-page feasibility study on conservation which included a study of approaches to digitisation, which the Ruskin Foundation trustees will consider.

Tough decisions about the technology are now necessary. Whiteside confirms that the goal is still to make Ruskin's ideas and work as accessible as possible.

But there are dangers. "Appropriate kinds of scanners are essential," she says, "because of the potential for damage to the originals [and the varying image quality]. You can digitise from photos, but you have to balance conservation of the originals against the desire for quality on the Web."

There is another tightrope to walk. Lancaster university is effectively the steward of the collection, not its owner. So appropriate permissions must be secured before the material can be digitised and made widely accessible. Prof Michael Wheeler, adviser to the foundation, says: "The virtual images will whet your appetite [to visit the Lancaster collection and consult the originals]. But it raises questions about copyright and abuse of images".

If there are still hurdles to clear so far as the Net is concerned, the foundation can point to rapid progress down other electronic avenues: Cambridge University Press is soon to publish for the foundation a CD-Rom of the library edition of *The Works of John Ruskin*.

Wheeler is gleeful at what he sees as a breakthrough in Ruskin scholarship. Academics, he says, are "paddling, not surfing" on the Web, frustrated by long delays in access and downloading. "CD-Rom is clearly more important than anyone thought," he says. It may not, after all, be an interim technology.

Wheeler's enthusiasm for the Ruskin CD-Rom – more than 9m words, 2,000 illustrations – is easily understood. "If you look up the word 'tradition' in the index of the printed edition," [the library edition runs to 39 large volumes] he says, "you will find five entries. Use the search engine of the CD-Rom and you will find 273 entries."

An exhibition called *Ruskin's Multimedia Mind*, about the making of the CD-Rom, opens at Brantwood in the early summer.

Wheeler is now seeking funds for an electronic edition of *Modern Painters (1843)*, Ruskin's great defence of J M W Turner, published when Ruskin was 24.

Lancaster university's Ruskin page can be found at: *http://www.lancs.ac.uk/users/library/news.d/ruskin/htm*

Cyber sightings

● Japan's ministry of foreign affairs has set up a special homepage (*http://japan-us.tokio.co.jp*) to mark President Bill Clinton's state visit later this month. Details of US-Japanese relations and specific cultural exchange programme information will be included. Also worth checking is the Japan Information Network (*http://jin.jcic.or.jp*) which has good background material on statistical data and a listing of current events.

● Nirex, the UK environmental management agency for radioactive waste, has put up a site (*www.nirex.co.uk*) with nice graphics and regularly updated news briefings. Maybe it should run a competition to choose the next name for Windscale...

● The CMS Internet Business Intelligence catalogue (*www.textor.com/cms*) has added extra titles to its well-organised searchable database of management reports. Indexed regionally and by subject, it is worth a look if you are in the energy, telecoms, mining, environment, pharmaceuticals, construction, technology or finance sectors.

● The *Taffia* is a network of Welsh businesspeople who use the Internet to establish and maintain contacts. Publisher Robert Jones ("Ah, you want Jones the Webmaster") hopes the site (*www.gwlad.co.uk/taffia*) will develop into a database of contacts for the mutual benefit of Welsh folk.

● Eutelsat, the operator of trans-European networks for satellite communications, has launched a site (*www.eutelsat.org*) which offers photographs and details of the organization's activities.

● Fornax Monitor (*www.fornax.hu*) is an online service providing a link to the Budapest stock exchange as well as price-reporting information on the Hungarian equity and commodities markets for its subscribers.

● Auto Trader has launched a Net version of its *Top Marques* magazine (*www.Autotrader.co.uk*) giving car advertisers a chance to sell their vehicles worldwide. A very nifty site indeed – well organised, nice tracking welcome message, but not too flash.

● Spire (*http://phoenix.jr2.ox.ac.uk/spire*) is an e-zine in the embryonic tradition of *HotWired* or *Suck*. Editor Ben Werdmuller has put together some sharp observations on Net culture. I usually hate purple type, but it works here.

● For a bit of a demo of what the Net can do, show your colleagues the Think Electric site (*www.thinkelectric.com*). Heaven for designers. Cool stuff for the rest of us.

● Milano Finanza (*www.milanofinanza.it*) is an Italian language daily business paper with a nice front page giving global market stats. Makes good use of frames and seems pretty user-friendly.

● General Accident Direct (*www.ga.co.uk/gadirect*) is the insurance company's Web site, offering online quotes for travel insurance.

steve.mcgookin@ft.com

Tim Jackson

Blue blooded data for a princely sum

What does the average American entrepreneur understand of the British class system? Peerages, baronetcies, gentlemen's clubs, regiments, Oxford and Cambridge colleges, public schools, postcodes, accents – the hundreds of gradations and subtleties in all these leave most foreigners amused but bewildered.

Help is at hand, however. Last week I received a high-tech product that serves as a key to the British establishment. It is sold by mail order, and provides an introduction in hours to what really counts in British society.

The product is an electronic version of Debrett's *People of Today*. Debrett's has published directories of the British nobility – snobs' bibles, one might say – since 1769. *People of Today*, however, is a newer product which seeks to recognise that there are people in Britain other than peers and baronets who matter these days. The directory, which competes with the better-known *Who's Who*, contains about 34,000 names. In the old days of ink smeared on dead trees, using the directory was uncomplicated: you looked people up, one by one, by their family names, with the abbreviation *qv* (*quod vide*) telling you that a name in the body of an entry had an entry in its own right.

The electronic version is different. Instead of hoisting the directory on to your knee, you pop a silver disc into the CD-Rom drive of your PC, click on an icon, and start digging. The software is so easy to use that it is hardly worth bothering with the handbook: a form comes up, and typing a word in to one of the boxes and hitting the return key produces the results in a few seconds. Name searches (more than 1 per cent of the eminent Britons who appear in the directory are called Smith) are only the beginning.

Under education, you can discover that the listing contains something over 1,000 graduates of Cambridge university. Under marriage, searching for "dis", as in *m. dis.* – marriage dissolved – reveals that 11 per cent of the people have been divorced at least once.

Typing the letters "hm" in the "careers" box reveals that an astonishing 1,643 people have worked for Queen Elizabeth at some stage in their lives. Closer inspection reveals the list includes not only ladies-in-waiting but also members of the board of visitors to her majesty's prisons.

The recreations field offers an instant read-out of how the British élite claim to spend their free time. More than 4,000 people say they are keen walkers. About 1,800 shoot, 1,700 fish, 205 hunt, and 53 play croquet. Only three list sex among their recreations, and one lonely person professes an interest in snakes.

But the CD, which includes addresses in most entries, is also a good way to track down prominent people. If you wanted to join White's Club, for example, and decided that a judicious canvassing was in order before the ballot, you might pull out the names of 27 earls who already belong. Equally, if you wanted polo partners, you could find 35 Londoners who play. You could also find 39 employees of The Economist newspaper who went to Oxford, 17 knights who live in rectories, and two musicians who have recorded J. S. Bach's *Goldberg Variations*.

The names in *People of Today* can hardly claim to be a representative sample of the British population. Fewer than 7 per cent of them are under 40, and fewer than 3 per cent under 35. Women are outnumbered nine to one by men, and there are more holders of knighthoods on the list than women with or without honours. The list is skewed towards the public sector.

The disc presents a picture of an élite that is defined more by position than achievement, and more by lineage than talent. But it's wonderful fun to play with. When a well-spoken lady from Debrett's called to ask how I was getting on, I had spent four happy hours searching for nothing in particular.

Practical use is a different matter. The handbook, for instance, gives an example search to pull out knights and dames of the Royal Victorian Order, but not those with lower decorations. Are there many PC users in the world for whom such things matter?

The lady at Debrett's bristled at this question. She insisted that there were dozens of good commercial uses. For instance, if you were trying to raise money for a new opera house, you might print out a list of the names and addresses of 70 chairmen of public companies who claim to be interested in opera. Other possible buyers might include gossip columnists, lobbyists who deal with the British civil service, and the people who compile lists for newspapers of celebrities who were born on a specified day.

But the disc is unlikely to tempt the merely curious. Although CDs cost less than a dollar each to produce in quantity, Debrett's sells the electronic version at double the £97 price tag of the 2,100-page paper edition. One might politely call this a "value-based" pricing strategy.

Talking of value, however, I would prefer to spend that sum on another electronic database: the US telephone book, published complete on five CD-Roms by the US firm ProCD. It tells you nothing of people's hobbies, divorces, schooling or decorations, but it's an invaluable tool for journalistic research, and the cheapest possible way of sending junk mail across the Atlantic.

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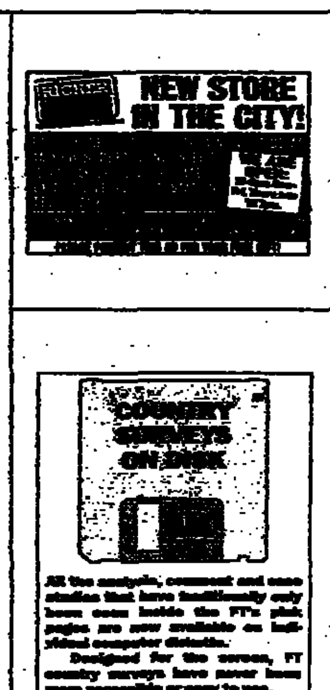


LEGAL NOTICES

BUSINESS TRAVEL

Travel News • Roger Bray

British beef grounded

"This is your captain speaking. We shall be flying at an altitude of 36,000ft and the *filet de boeuf* comes from New South Wales." The current scare over British beef has prompted many airline passengers to ask about the origin of the beef placed in front of them. Here are some examples of the answers.

United Airlines insists that all its steaks started out in Chicago and come from "good mid-western farms". British Airways says it has withdrawn beef from flights where there was no alternative supply.

Air France says it is serving Irish, South American or Scottish beef, while Singapore Airlines has taken beef off the menu across its network. Last week Japan Airlines was serving lamb in first class – guinea fowl in the business cabin.

New German airport

Mönchengladbach's gleaming new airport opens for business today, with 75-minute flights to and from London's City airport and a minimum check-in time of 10 minutes. Called Düsseldorf Express, the airport is a 10-minute (free) bus ride from Mönchengladbach station, where trains run to other German cities. Arriving passengers, it is claimed, can be off the aircraft and through the terminal in five minutes. The airport is 20km from the centre of Düsseldorf and about 30 minutes' drive from Cologne. Belgian airline VLM operates four round-trips a week from London City airport, plus two a day on Saturdays and Sundays.

Seoul takes off

Seoul's Kimpo airport attracted a 14.2 per cent increase in passengers last year, the fastest growth at any leading city airport in the world. Seoul handled almost 31m passengers in 1995, making it second busiest only to Tokyo's Haneda in the Asia-Pacific region.

Preliminary figures from the Geneva-based Airports Council International show passenger growth strongest in Asia-Pacific (up 7.8 per cent). It was weakest in North America (up only 3.2 per cent).

Dijon fast rail

Dijon, which is due to open a new congress centre in December, is trumpeting its fast new rail connections. The start of a 105-minute TGV link with Roissy, the station which serves Paris Charles de Gaulle airport, brings the Burgundy capital within easy striking distance of a clutch of European cities. Examples: fly from Hamburg to Charles de Gaulle at 4.50pm or Amsterdam at 5pm, catch a 7.27pm train and arrive in Dijon at 9.11pm.

However, flying from Madrid at 12.15pm would mean a wait of more than three hours before catching the TGV. At present there is only one train a day in each direction. The return service leaves Dijon at 6.37am and arrives as Roissy at 8.24am.

South Africa booming

Booming travel to and from South Africa continues to spur improvements in links between Johannesburg and Europe. In a move to provide more connections, South African Airways has just switched Paris services from Orly to Charles de Gaulle's Terminal 1, which it will share with partner Lufthansa, United Airlines, Denmark's Maersk, SAS and Thai International.

Its Frankfurt flights will increase in number from six to seven a week from July 8, and it is code-sharing a further seven services there with Lufthansa. An extra Heathrow flight – leaving Johannesburg at 8.30pm and arriving at 6.25am – will operate from July 19, bringing the total number of direct London services to 13 a week.

	Mon	Tue	Wed	Thur	Fri
Tokyo	16	15	14	18	15
Hong Kong	25	23	24	24	24
London	8	8	10	10	11
Frankfurt	8	7	8	10	10
New York	12	8	7	8	7
L. Angeles	19	19	23	24	20
Milan	11	14	15	16	[illegible]
Paris	10	9	9	11	12
Zurich	9	7	8	8	[illegible]

Information supplied by Meteo Consult of the Netherlands. Maximum temperatures in Celsius

The world globe-trotters' unhappy landings guide

Singapore's Changi has been voted the most convenient large airport in the world by business travellers. Bottom of the poll was Athens, slated for its discomfort, limited shopping and poor restaurants. The ratings come from an International Air Transport Association survey of 45,000 passengers at 43 airports.

Britain's Manchester finished second to Changi, followed by Amsterdam's Schiphol, North Carolina's Raleigh-Durham, which was the top US performer, Melbourne, Calgary and Sydney. Greater Cincinnati recorded the biggest improvement since last year after expansion and the opening of an international terminal in 1994.

Tokyo's Narita took next to bottom place, raising the question of whether all those bitter battles between Japanese police and environmental protesters over the development of the airport were worth the blood and bruises.

Other poor performers were, unsurprisingly, New York's bewildering JFK, Washington Dulles, Boston's Logan, Detroit Metropolitan Wayne County, Los Angeles and Miami. Both Paris international airports, Charles de Gaulle and Orly, got the thumbs down. London's Gatwick did significantly better than Heathrow, which failed to make it into the top 15.

The findings showed passengers still unhappy with the food at most airports. Heathrow and Gatwick, where culinary guru Egon Ronay was called in to check quality, both scored higher marks in this department than they did overall. Dispelling the notion that Australia offers only steak, fries and HP sauce, Melbourne was voted best for restaurants – followed by Sydney, Amsterdam, Manchester and Gatwick.

In the luggage category, Singapore's carousels delivered bags with least delay. Then came Manchester, Schiphol, Raleigh-Durham, Edmonton International, Orlando, Sydney and Gatwick. Heathrow's performance was middling, Hong Kong and Orly were slowest.

Manchester topped the vote for comfortable lounges and waiting areas, ahead of Changi. Gatwick again beat Heathrow in this category, though both were in the top 15.

Gatwick's shops came third after Amsterdam and Singapore. Heathrow was sixth, behind Dubai and Manchester.

Roger Bray

Read the small print

Michael Skapinker describes the confusion over damages for airline accidents

To the 1bn people who travel on international flights each year, an airline ticket is as familiar an item as a newspaper, car key or pocket diary.

Few travellers ever look at the small print sections in those tickets. They would find them impossibly complicated if they did. But among the tiny print are sentences that could blight the lives of passengers and their families if they were injured or killed in an air crash.

The section of the ticket that could do this is headed "Advice to International Passengers on Limitation of Liability". It tells passengers that if they are injured or killed, they or their relatives might receive damages of as little as $10,000 (£6,600) under a 67-year-old treaty called the Warsaw Convention.

If passengers are injured or killed, there might be damages of as little as $10,000

The Warsaw Convention is an intergovernmental treaty. Although governments have had a small amount of success in increasing the amount of damages available under it, the convention is still seen by those travellers who know about it, and even many airlines, as severely deficient. The limits on damages contained in the convention can only be breached if plaintiffs can show the airline has been reckless.

Some governments reached a new agreement in 1955, the Hague Protocol, doubling the limit on damages to $20,000. But certain countries did not sign, notably the US, which said the $20,000 limit was too low. The US later raised the limit to $75,000 for airlines travelling to or from the US.

Other countries took unilateral action. Japanese airlines abolished the limit on damages completely in 1992. Many European airlines set a limit of $155,000. Australia established a ceiling for damages of A$500,000 (£263,000).

Mark Franklin, an aviation specialist at London solicitors Frere Cholmeley Bischoff, says: "It's very confusing. You might have an accident in which four passengers sitting in the same row are killed and all four are governed by different regimes. This has given rise to a lot of litigation."

Franklin says that, faced with the cap on damages, juries in the US have often simply decided that airlines have been reckless, so that the Warsaw Convention limitations do not apply. After the 1983 shooting down of the Korean Airlines Boeing 747 and the 1988 Pan American Lockerbie disaster, both airlines were held to have been reckless.

Many airlines believe the confusion needs to be ended and replaced with a standard compensation system. Governments have been unable to reach agreement on changing the Warsaw Convention, so the airlines have now taken the initiative themselves. Acting through the International Air Transport Association (Iata), they have drawn up their own accord, known as the Inter-Carrier Agreement.

Under the agreement, airlines have a choice. They can agree to pay unlimited damages, regardless of whether or not they were to blame. Or they can agree to pay the amount of damages that would be appropriate in the passengers' home countries, even if this breaches the Warsaw limits, regardless of where those passengers take legal action.

The carriers have the right to do this under the Warsaw Convention, which says airlines can conclude their own contracts with passengers, agreeing to pay damages higher than those specified in the treaty.

The provision relating to the level of damages payable in the passengers' home countries means that an American would receive a higher level of compensation than, for example, an Indian or Ethiopian.

The US, however, is still not satisfied. Its Department of Transportation is making a further demand: that Americans be allowed to sue in the US, even if they bought their tickets abroad and flew between two non-American cities on a foreign airline.

This is a difficult demand for Iata to accept. While the Warsaw Convention gives airlines the right to offer a higher level of damages if they want to, it does not allow them to alter the rules on where claims for damages can be brought.

Passengers or their families can bring their action in the country in which the ticket was bought, where the airline has its principal place of business or in the country to which the passenger was travelling. The latter must be the passenger's final destination, as shown in the ticket. If it is a return ticket then the final destination is the one to which the passenger planned to return.

The Warsaw Convention is considered by many travellers and airlines as severely deficient

This means that an American flying on, for example, an Asian airline, between two Asian cities with a ticket bought in Asia, would not be allowed to sue in the US. To the Americans, this is unacceptable. Iata's legal sub-committee is meeting in Montreal on Wednesday to see if it can find a way of satisfying the Americans' demands.

Persuading US carriers to sign the agreement will be an important step towards ensuring it comes into effect by its due date of November 1. Lorne Clark, Iata's general counsel, says the agreement needs the signatures of about 70 airlines if it is to be effective. So far, 29 airlines have signed.

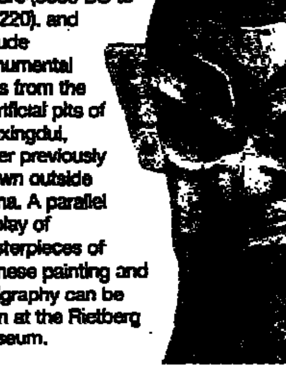
ARTS

OPENINGS

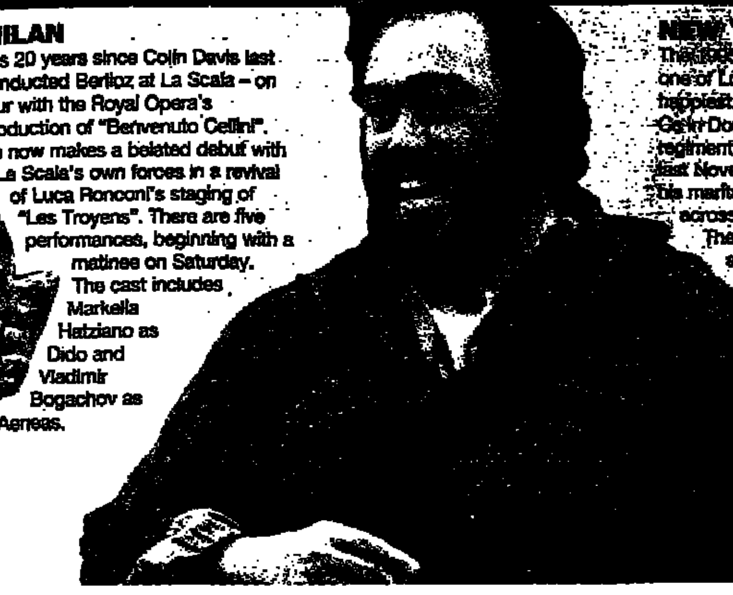
FERRARA
An exhibition celebrating "100 Years of Cartoons" – including Felix the Cat, Mickey Mouse, Betty Boop (left), Tintin, Flash Gordon, Superman and Batman – opens on Wednesday at the mediaeval Castello Estense.

ANTWERP
The Flanders Opera's decision to mount a new staging of Wagner's "Parsifal" is in keeping with the company's rising profile on the international opera scene. There are five performances in Antwerp starting tomorrow, and the production moves to Ghent on April 19. The cast includes Donald McIntyre as Gurnemanz, Jorma Hynninen as Amfortas and Ruthild Engert as Kundry.

ZURICH
An exhibition of recent archaeological discoveries from China (below, right) goes on show at the Kunsthaus on Thursday. The 200 items on display document five millennia of Chinese culture (5000 BC to AD 220), and include monumental finds from the sacrificial pits of Sanxingdui, never previously shown outside China. A parallel display of masterpieces of Chinese painting and calligraphy can be seen at the Rietberg Museum.



MILAN
It is 20 years since Colin Davis last conducted Berlioz at La Scala – on tour with the Royal Opera's production of "Benvenuto Cellini". He now makes a belated debut with La Scala's own forces in a revival of Luca Ronconi's staging of "Les Troyens". There are five performances, beginning with a matinee on Saturday. The cast includes Markella Hatziano as Dido and Vladimir Bogachov as Aeneas.



NEW YORK
The 1995-6 season has not been one of Luciano Pavarotti's (left) happiest. First he flunked the high Cs in Donizetti's "La fille du régiment" at the Metropolitan Opera last November. Recently he found his marital problems emblazoned across the world's newspapers. The best way for him to push aside the bad publicity would be to give a good performance on Saturday in the Met's new production of Giordano's "Andrea Chenier". James Levine conducts a staging by Nicholas Joel.

LONDON
The actress Irene Worth (right) celebrates her 80th birthday with a week of performances at the Almeida Theatre, starting tonight. There are three different programmes and seven performances.

The artistic director of the Bush Theatre, Dominic Dromgoole, gives his farewell production this week. "Clocks and Whistles", by Kate Beckinsale, with a cast led by Michael Cashman, John Light, Melanie Thaw, opens tomorrow.

Opera/Andrew Clark

An enabler in a world of dreams

His ability to win the confidence of artists is key to Stéphane Lissner's management style. Now he is set to revitalise programmes in Aix-en-Provence and Madrid

Nothing succeeds like success. Barely four months after being appointed director of the Aix-en-Provence festival, Stéphane Lissner has accepted the task of running Spain's principal opera company, the Teatro Real in Madrid. He landed both jobs on the strength of his success at the Théâtre du Châtelet in Paris, where his festival-style programming in recent seasons has created a big international splash.

At first sight, Lissner does not look like one of the opera world's great enablers. A chain-smoking 43-year-old, he began his career in spoken theatre and showed little interest in music until his arrival at the Châtelet as an assistant manager in 1983. Even now he is more at ease discussing policy details than elaborating artistic visions.

The key to his success lies in his ability to win the confidence of artists. In the six years since Lissner took control of the Châtelet it has become a workshop for the world's great directors, dancers and musicians. With a fat subsidy from the city of Paris, Lissner has given them luxurious rehearsal conditions and helped them realise their dreams.

Lissner will have to start from the bottom again at Aix and Madrid. Aix has been in decline for several years and there may be no events at all in 1997, the festival's 50th anniversary. Lissner's appointment takes effect in 1998. As a measure of its confidence in him the French government is to triple its annual festival subsidy to FFr15m (£1.94m). More crucially, the artists who flocked to the Châtelet can be expected to follow Lissner to Provence.

His contacts will be equally useful in revitalising the Teatro Real. For the past three decades Madrid has been on the fringe of European opera, contenting itself with limited seasons at the Teatro de la Zarzuela. Long dogged by controversy over delays to its reconstruction programme, the Teatro Real is due to reopen at the start of the 1997-98 season, with a budget to rival those of Europe's leading companies. Lissner is one of the few people capable of putting together the high-quality programme Madrid wants.

It is not a bad time for him to be spreading his wings. With Hugues Gall now installed at the Bastille, Lissner has probably reached the limits of what he can do in Paris. For the past two years he has combined his work at the Châtelet with the post of *intendant* at the Orchestre de Paris. While Jacques Chirac was mayor both organisations were fuelled by his cultural ambitions. But the arrival of a new mayor, Jean Tiberi, has ushered in a more uncertain climate.

The Orchestre de Paris – in the doldrums under the conductor Semyon Bychkov – stands to lose the most from Lissner's departure. Lissner wanted to replace Bychkov with two music directors, Christoph von Dohnányi and Frans Brüggen. The aim was to raise the orchestra's profile in the German and Modernist repertoire under Dohnányi while giving it the benefit of Brüggen's period performance skills. The plan was scuppered by a group of influential conservatives led by the composer Marcel Landowski, who lobbied for the post to be given to a French conductor. That was the cue for Lissner to leave.

Given the scarcity of good music managers in France, Paris will find him hard to replace. His *coup de grâce* this season has been a new Châtelet production of the five-act version of Verdi's *Don Carlos*, to be shared over the next 18 months with London, Brussels, Nice and Lyons. New York City Ballet and a Schoenberg retrospective left their mark in the autumn. Barenboim and Rattle will be in residence in coming weeks.

The artist, says Lissner, is the point of departure for all his projects. "That's how I came upon the idea of *Don Carlos*. I was talking to Thomas Hampson, who told me how much he wanted to sing it in the original French. The production grew from there. I hardly ever choose the work first. Once you have the right people, then you look for a suitable work."

Thierry Bouet

Lissner: 'You must take risks'

Lissner is sceptical of theatre managers who use poverty or industrial strife as an excuse for their problems. "If you have a real concept, and you pursue it with intellectual honesty and artistic engagement, you can persuade everyone – politicians, backstage personnel, the public – of the value of what you are doing. It's not enough to follow the same old recipes, giving the public what they want. You must take risks, lead people into the unknown. The key to it all is winning the confidence of the artist."

Recalling the Châtelet's heyday in the early years of the century, when Diaghilev, Shalyapin and Toscanini were regular visitors, Lissner says his aim has been to "rediscover the spirit of the theatre". He intends to apply the same principle at Aix, which developed in the 1950s and 1960s into France's premier summer festival. "How can we reflect the pioneering spirit of that era? We need a new musical configuration, something specific to Aix – not a copy of Edinburgh or Salzburg. We have to revive the atmosphere of conviviality, rediscover the festival's simplicity and make a retreat from the big production number."

At the heart of his plan is a European Academy of Music, bringing together young professionals and leading musicians for concerts, master-classes and debates. The academy's musicians will provide roughly half the festival programme. Lissner envisages four opera productions: one by Mozart (an Aix tradition), one comic opera, one from the classical repertory and one from the 20th century. When construction of a new theatre is completed in 1999 he hopes to extend the festival from three to four weeks.

Pierre Boulez has already promised his services as conductor, and Lissner hopes to engage the Philharmonia Orchestra, which has had a highly successful residency at the Châtelet. But first things first: for the Châtelet's 1996-97 season, he has put together a Stravinsky cycle, in which Boulez and Dohnányi play a prominent part. Beyond that, there are plans for *Parsifal* and Ligeti's *Le Grand Macabre*. Lissner is determined to leave Paris in style.

Dee Conway

Peak malpractice: location of the first act of 'Giselle' to a cramped Austrian mountain resort in the 1920s renders a sensible text unlikely

Ballet

The first act of madness

Derek Deane's 'Giselle' is only partially successful, writes Clement Crisp

A holy ballet. So Tamara Karsavina, the ballerina, described *Giselle*, and in the best stagings (an accolade now only to be given to the Kirov version) we sense the sublimities that lie at the work's heart. We can understand its still urgent Romanticism, and the sanctity of roles that have been illuminated by the greatest dancers.

Derek Deane's production for his English National Ballet came to the Coliseum as the company's season ended last week. I reported on it when it was new a year ago with less than acute delight, and I still find it schizophrenic.

Its second act is wholly successful. Deane has sought to revitalise the Gothic terrors of night-dancers closing in on their prey, and show Giselle's abiding love for Albrecht against these terrors.

Charles Cusick Smith's fine and rocky setting, imaginatively lit by Paul Pyant, is an excellent location for the drama. Deane's reshaping of traditional groups and poses, the vengeful Wilis frozen until the dance, and their implacable nature, drive them on, and his sense of emotional impetus for the narrative, make entire sense. We believe in *Giselle*.

It is Deane's first act which I see as an aberration. The *Giselle* of 1841 was standard Romantic drama in its savouring of the local colour of a Germany remote in time (a vague 16th century) and quaint in its Thuringian location.

Everything makes sense on these terms, and every least fact – from sword to vintage celebration – forms a harmonious background.

To update it to a cramped Austrian mountain resort in the 1920s; to people the stage with hotel staff; to bring on what I take to be the local amateur operatic society in maddest fig for *The Shopgirl Princess*, with outfits raped from several sofas and an unsuspecting ocelot; to give Albrecht a Rolls-Royce, a sword and cloak, and an air of looking for a rational production, is to make Karsavina's holy unholy.

The dance text is sensible; it is rendered unlikely by barmy clothes and an obstreperous set. Amid this flummery, ENB's dancers do what they do in act one with good grace.

It is with the forest scene that the company revealed its true worth. The Wili horde was assured in style, Josephine Jewkes a chill, menacing Myrtha. Lisa Pavane's Giselle was well-mannered in everything, and her mad-scene was touching in suggesting innocence destroyed.

But it was Thomas Edur's Albrecht who made the evening memorable. (How splendid that with Edur and Mukhamedov we at present see two Albrechts of superlative if contrasting gifts.)

Edur is an aristocrat in all things – in emotional finesse, in nobility of style. He has the secret of stillness – Albrecht confronted by Giselle's madness is a man frozen by guilt – and of impeccable utterance. His second act was, quite simply, beautiful, its formal grace, the clarity and distinction of its utterance revealing every nuance of the drama.

For the record, he produced a flawless sequence of 24 *entrechats-six* in the big variation. It is dancing that ravishes the eye by its purity and yet is set at the service of the role. Great art.

With a welcome policy of giving value for money, ENB prefaced *Giselle* with Balanchine's *Square Dance*. (In the not-too-distant past many more companies paid audiences the courtesy of an extra ballet on the bill with *Giselle*; the Royal Ballet might do well to emulate ENB's concern for the paying customer.)

Square Dance is a small gem which makes a dazzling connection between ballet and social dance patterns, and it contains a solo which is one of the most poetic creations for an American male dancer: the local boy as prince.

This revival was well done: it will be even better with less obvious charm and more directness of attack.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

JAZZ & BLUES
Bimhuis Tel: 31-20-6233373
● Michel Petrucciani: solo performance by the French jazz pianist; 9pm; Apr 2
OPERA
Koninklijk Theater Carré
Tel: 31-20-6226177
● Porgy & Bess: by Gershwin. Directed by Willam Barkhymer and Chris Nance, and performed by the New York Harlem Theater. Soloists include Terry Cook, Alvy Powell, Michael Smartt, Lon Blaun, Charlae Olaker and La-Rose Saxon; 8.15pm; from Apr 2 to Apr 7

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Matthäus Passion: by J.S. Bach. Performed by the Berliner Singakademie and the Neues Berliner Kammerorchester with conductor Achim Zimmermann. Soloists include Nienke Oostenrijk, Bogna Bartosz, Markus Brutser, Matthias Gorne, Cornelius Hauptmann and Thomas Quasthoff; 8pm; Apr 2
OPERA
Staatsoper unter den Linden
Tel: 49-30-2082861
● Der Ring des Nibelungen: Siegfried: by Wagner. Conducted by Daniel Barenboim and performed by the Staatsoper unter den Linden and the Staatskapelle Berlin. Soloists include Siegfried Jerusalem, Graham Clark, Deborah Polaski and John Tomlinson; 4pm; Apr 4

■ BRUSSELS

THEATRE
Rideau de Bruxelles
Tel: 32-2- 507 83 60
● Trois Grandes Femmes: by Edward Albee. Directed by Roumen Tchakarov. The cast includes Jacqueline Bir, Anne Chappuis, Valérie Bauchau and Damien Gillard; 8.15pm; Apr 2, 3, 4

■ CAPE TOWN

OPERA
Opera House Tel: 27-21-215470
● Porgy and Bess: by Gershwin. Conducted by Willie Anthony Waters and performed by The Cape Philharmonic Orchestra. Soloists include Eugene Perry, Cynthia Clarly, Ronald T. Smith, Sibongile Mngoma, Fikile Mvinjelwa and Ronnie Theys; 7.30pm; Apr 2, 6, 8

■ COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● Romeo and Juliet: a choreography by Frederick Ashton to music by Prokofiev, performed by the Royal Danish Ballet; 8pm; Apr 2

■ DUBLIN

CONCERT
National Concert Hall - Geoláras Náisiúnta Tel: 353-1-6711888
● Penelope Price Jones: accompanied by pianist Philip Martin. The soprano performs songs by Fauré, Beethoven, Barber, Schubert, Liszt and Martin; 8pm; Apr 2

■ EDINBURGH

MUSICAL
Edinburgh Festival Theatre
Tel: 44-131-5296000
● Calamity Jane: adapted for the stage by Charles K. Freeman, from a screenplay by James O'Hanlon. With music by Sammy Fain and lyrics by Paul Francis Webster. Directed by Paul Kerryson, starring Toyah Willcox as Calamity Jane; 7.30pm; Apr 2, 3, 4 (also 2pm), 5, 6 (also 2.30pm)

■ LONDON

CONCERT
Queen Elizabeth Hall
Tel: 44-171-9604242
● Orchestra of the Age of Enlightenment: with conductor Gustav Leonhardt and the Choir of Enlightenment perform J.S. Bach's Cantata No.173a (Durchlauchster Leopold) and Cantata No.201 (Der Streit zwischen Phoebus und Pan). Soloists include soprano Monika Frimmer, counter-tenor Ralf Popken, tenors John Mark Ainsley and John Elwes, and basses Max van Egmond and David Wilson-Johnson; 7.45pm; Apr 2
Royal Festival Hall
Tel: 44-171-9604242
● The Philharmonia Orchestra: with conductor Christoph Eschenbach and violinist Gidon Kremer perform works by Prokofiev, Tchaikovsky/Stravinsky, Schnittke and Tchaikovsky; 7.30pm; Apr 2
St. John's, Smith Square
Tel: 44-171-2221061
● Johannes Passion: by J.S. Bach. Performed by the Orchestra and Choir of St. John's, Smith Square with conductor John Lubbock. Soloists include soprano Deborah York, mezzo-soprano Christine Cairns, tenor Howard Milner and bass Graeme Broadbent; 7.30pm; Apr 2
DANCE
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Giselle: a choreography by Pepita to music by Adolf Adam, performed by The Royal Ballet. Soloists include Sarah Wildor and Zoltan Solymosi; 7.30pm; Apr 2

■ MUNICH

OPERA
Nationaltheater
Tel: 49-89-21851920
● Dimitrij: by Dvorák. Conducted by Jun Märkl and performed by the Bayerische Staatsoper. Soloists include Chris Merritt, Christina Hagen and Livia Aghova; 7pm; Apr 2

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Bare Witness: Clothing and Nudity: exhibition examining costume in its dual role as both concealer and revealer of the female body from the 18th to the 20th century. In particular, the display examines fashion's windows onto the body: the exposure of shoulders, the baring of midriffs, the discreet baring of the torso and upper back through small apertures, and the exposure of the lower back, breasts and leg; from Apr 2 to Aug 18
JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● Double Feature: performance by Herbie Mann and the Trio da Paz, and Café and the Gonzalo Rubalcaba Quartet; 9pm & 11.30pm; from Apr 2 to Apr 7
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● The Voyage: by Glass. Conducted by Dennis Russell Davies and performed by the Metropolitan Opera. Soloists include Carol Burgess, Patricia Schuman and Philip Creech; 8pm; Apr 2, 6 (1.30pm)

■ NICE

EXHIBITION
Musée Matisse Tel: 33-93 53 40 53
● Karl Blossfeldt: first exhibition held in France of photographs of the German professor Karl Blossfeldt (1865-1932). Between 1898 and 1932 Blossfeldt took about 6,000 photographs of plants for the model classes of the Hochschule der Künste in Berlin to study polymorphism; to Apr 2

■ PARIS

DANCE
Théâtre National de l'Opéra - Opéra Garnier
Tel: 33-1 42 66 50 22
● Soirée Jerome Robbins: the Ballet de l'Opéra National de Paris perform four choreographies by Robbins: En Sol, A Suite of Dances, Moves and The Four Seasons. Music performed by the Orchestre Colonne with conductor Peter Ernst Lassen; 7.30pm; Apr 2, 3, 4, 5, 7 (3pm)
EXHIBITION
Musée Carnavalet
Tel: 33-1 42 72 21 13
● Les Russes à Paris: exhibition focusing on the French view of the Russian community in the 19th century. The exhibits include portraits by Winterhalter, busts by Carpeaux, manuscripts and humorous engravings; from Apr 2 to Jun 30

■ ROME

OPERA
Teatro dell Opera di Roma
Tel: 39-6-481601
● Le Comte Ory: by Rossini. Conducted by Donato Renzetti and performed by the Opera di Roma. Soloists include Sumi Jo, Gregory Kunde, Donato di Stefano and Alfonso Antoniozzi; 8.30pm; Apr 2, 4, 6 (6pm)

■ ZURICH

OPERA
Opernhaus Zürich
Tel: 41-1-268 6666
● Il Trittico: by Puccini. Conducted by Marcello Viotti and performed by the Oper Zürich. Soloists include Mara Zampieri, Giorgio Zancanaro and Boiko Zvetanov; 7.30pm; Apr 3

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10.00
European Money Wheel

18.00
Financial Times Business Tonight

هكذا من الأصل

Michael Prowse · America

Jobless by decree

Contrary to the revisionist claims of economists, minimum wage legislation is a foolish way to help low-income workers

If the price of a commodity goes up, less of it will be demanded. The truth of this proposition – perhaps the most fundamental in economics – is reaffirmed every day in countless transactions around the world. If it were not true, economic life would be unimaginably different. Companies would launch audacious strategies to boost market share by jacking up the prices of products.

Because we evidently do not live in such a topsy-turvy world, economists have traditionally rejected minimum wage laws as either redundant or pernicious. If the minimum is set below the level established by the free interplay of supply and demand, it is irrelevant. In the likelier case that it is set higher than the market clearing wage rate (at least in some sectors), it will reduce demand for labour while boosting the numbers seeking work. The inevitable result is involuntary unemployment.

Given the power of this logic, it may seem surprising that minimum wages are gaining in popularity on both sides of the Atlantic. In the US, President Bill Clinton is pushing hard for an increase in the national minimum from $4.25 to $5.15: last week Democrats tried (but failed) to embarrass Republicans by demanding a congressional vote on the issue. In the UK, Mr Tony Blair, the Labour leader, has promised to introduce a national minimum wage if he wins the next election, although he remains coy about the level. Until now, the UK has sensibly avoided a national wage floor although wages councils once set minimum rates in several sectors.

Politicians who want to look dynamic and caring are bound to favour minimum wage laws. But the US Congress's willingness to increase the minimum used to be tempered by fear that it would raise jobless rates. The accepted rule of thumb (based on numerous empirical studies) was that a 10 per cent increase would cut youth employment by anything from 1-3 per cent.

But the latest message from academia is that no such inconvenient trade-off exists. Professors David Card and Alan Krueger of Princeton University recently compared employment in fast-food restaurants in the neighbouring states of New Jersey and Pennsylvania. During the period analysed, the minimum wage rose in New Jersey but not in Pennsylvania. Yet Card and Krueger (who later became chief economist at the US Labour Department) found evidence of an increase rather than a decrease in employment in New Jersey.

Their methodology has since been vigorously disputed. The counter-intuitive results were based on a rather vague telephone survey of restaurants. An analysis of payroll data came to the opposite conclusion: the rise in New Jersey's minimum wage led to a modest drop in employment relative to Pennsylvania.

But proponents of government intervention, inevitably, are challenging the veracity of the critique. They claim several other recent studies have shown increases in minimum wages have negligible (perhaps even positive) effects on jobs. They regard the traditional "competitive" model of labour markets as outdated, as empirically refuted. They accuse employers of wielding subtle monopoly powers and hence of imposing artificially low wages on the most vulnerable workers. And hey presto, they justify an increase in the minimum wage on efficiency as well as fairness grounds.

It would be wonderful if water did indeed run uphill. But I fear some economists are too emotionally committed to higher minimum wages to think clearly. In reality the service industries employing low-wage workers are highly competitive. A more plausible explanation of the (apparently) declining cost in terms of lost jobs is that the legal minimum has fallen steadily relative to average wages (see chart) and is near a 40-year low in real terms. Obviously if minimum wages are pitched low enough, they can do little harm.

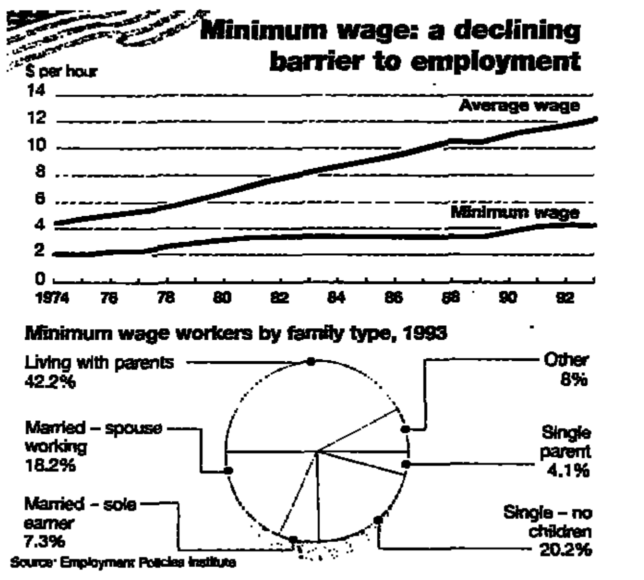
But even those lobbying for an increase in the legal minimum agree that many jobs would be destroyed if it were lifted substantially – say to $6 or $7 an hour. In other words they do not really dispute conventional economic logic. They can call for a higher minimum now without worrying too much about the impact on jobs only because governments had the sense not to listen to people who made the same fallacious arguments in the past.

Politicians such as Mr Blair who want to introduce a national minimum should recognise that it will be a perpetual source of social conflict. Pressure groups will lobby endlessly for increases. The US – an individualistic society – has been fairly successful in resisting such pressures. But the UK is likely to suffer the same fate as European neighbours where minimum wage laws substantially increased unemployment.

And for what? A minimum wage is the crudest of social policy instruments. Many people earning the minimum will not be members of poor households: in the US more than 40 per cent (see chart) are youngsters living with parents; only 4 per cent are single parents. If the goal is to reduce poverty or flatten the income distribution, a more efficient policy is to target cash subsidies, via either the tax or benefit system, on genuinely poor families. College students working part-time at Burger King do not need special help.

An even more fundamental objection is that minimum wages involve an element of coercion wholly out of place in mature democracies. Employers and employees ought to be able to agree any wage rate they choose. If a government rules that no employer may pay less than some arbitrary minimum, it is condemning to permanent unemployment anybody whose productivity is too low to justify such a wage. Even if a government has majority support it has no right to damage people's life chances in this way.

Minimum wages are the kind of dictatorial measure that one expects in a totalitarian society. It is deeply depressing that politicians who regard themselves as enlightened are endorsing such crude expedients.



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Responsible step is to avoid crises

From Mr Barry Brennan.

Sir, In his article "New shapes in the stars" (March 26), Lionel Barber refers to Ireland as a "newcomer" in the EU.

The UK, Denmark and Ireland joined the then EEC on January 1 1973.

More importantly, Lionel Barber curiously concludes his article by stating "...the EU usually responds best in a crisis". Has he forgotten the tragic events of the ex-Yugoslavia? Is it also not reasonable that the citizens of Europe should expect that their elected representatives would take measures to ensure crises do not occur in the first place?

Finally, as a small business operator in a country with complex tax and social regulations, I would say to the participants of the intergovernmental conference in Turin *carpe diem*. This conference is an opportunity for all to develop new ideas and initiatives to realise the dreams most people in Europe (and the world over) share of the four freedoms (covering goods, capital, services and people).

Barry Brennan,
Av Slegers 397 Bte 13,
Brussels,
Belgium

Mystical belief in money supply

From Prof Roger Bootle.

Sir, Your leader "Mr Clarke's credibility" (March 23/24) invoked the judgment of history in support of the idea that current rates of monetary growth presage higher inflation. It is a pity that your reference to the historical record was so selective.

You did not refer to the fact that during the 1980s as a whole, the average annual growth rate of broad money was some 8 per cent higher than the inflation rate; that is to say, the growth in real terms was some 8 per cent.

Nor did you make reference to the utterly hopeless performance of broad money during 1980. At that time, the economy was flat on its back and manufacturing was enduring the worst recession since the 1930s, thanks to a ludicrously over-valued exchange rate and 17 per cent interest rates – both the result of pursuing monetarist policies. Yet money supply growth continued at very high levels. I vividly recall arguing the point with monetarist economists at the time, both in public and in private. They were calling for yet higher interest rates to head off the inflationary danger. If their advice had been heeded, we would surely have faced an economic disaster far greater than we suffered at the time, dwarfing the later episode of economic policy by autopilot – the ERM.

In fact, we owed our salvation then mainly to a monetarist economist, Sir Alan Walters, who correctly perceived that the broad monetary relationships were distorted and that policy was in fact tight. He successfully overcame the advice of the naively monetarist establishment to argue for lower interest rates.

Of course, the pace of economic expansion became unsustainable in 1987-88, and the broad money supply was a guide to this. But so were many other variables. What is so striking about the current situation (as you acknowledged) is the absence of clear inflationary signals from any other source than the money supply.

If certain economists continue to stick to a mystical belief in "the money supply", come what may, they may *eventually* be proved right, just as the harbingers of doom in 1980 and after were *eventually* proved "right" by the inflation of the late 1980s. But if so, they will be right rather in the manner of the stopped clock. We should surely set our sights much higher.

Roger Bootle,
group chief economist,
HSBC Holdings,
Thames Exchange,
10 Queen Street Place,
London EC4R 1BQ, UK

Visitors must check earthquake consequences

From Mr F.T. Rees.

Sir, I refer to Andrew Jack's interesting article "Dr Ho's magic formula eases the pain" (March 23/24) on aspects of life in the Yunnan province of China, including the activities of the Naxi musicians of Lijiang.

Since some of your readers may have been tempted to visit Lijiang, it might be as well to mention that Lijiang was badly affected by the severe earthquake which happened a few weeks ago. I understand that tourists have been excluded as a result. Certainly, any prospective visitor should check on the situation before they attempt to go there.

The likelihood of people wanting to visit Lijiang may well have been enhanced by the fact that the Naxi musicians mentioned in the article completed a very successful tour of the UK only last October, giving concerts in London, Manchester, Hull, Birmingham and Oxford.

F.T. Rees,
26, Baronsmede,
Ealing,
London W5 4LT, UK

Convincing steps should have been taken to avert ban

From Mr Gijs de Vries, MEP.

Sir, Now that Conservative "spin-doctors" are busy trying to blame Europe for the ban on British beef, could I point out that the failure by UK authorities to slaughter herds whenever BSE was diagnosed has played a significant part in the EU decision, as has the botched British effort to cover up the facts? The ban could have been avoided had London taken convincing steps early on and had it consulted Brussels, instead of showing scant regard for the concerns of its European partners and of its own population.

Gijs de Vries,
European Parliament,
97-113, rue Belliard,
Brussels, Belgium

From Toni Vernelli.

Sir, It seems that the intellectuals of British society have known for centuries that eating meat was bad for one's brain. William Shakespeare wrote: "Methinks sometimes I have no more wit than a Christian or an ordinary man has; but I am a great eater of beef, and I believe that does harm to my wit."

Toni Vernelli,
People for the Ethical Treatment of Animals (Peta),
PO Box 3169,
London NW1 2JF, UK

From Mr James Charatan.

Sir, Call me cynical, but I could not help noticing the repulsive tie worn by the EU agriculture minister, Mr Franz Fischler (front page picture, March 26), while he was goading the UK about BSE safety measures. The offending article was emblazoned with a selection of cows – presumably echt deutsch.

Can it be the Commission actually find this bovine disaster amusing, or was he just putting the boot in?

James Charatan,
473 West End Ave,
New York, NY10024, US

Technology · Clive Cookson

A battle with deadly agents

Research is being stepped up in the UK into prions, thought to cause mad cow disease

Prions, the infectious agents believed to cause bovine spongiform encephalopathy (BSE) in cattle and a handful of extremely rare brain diseases in people, were a fascinating scientific curiosity until recently.

But the discovery of a possible link between eating beef and a dozen cases of Creutzfeldt-Jakob disease among young people in the UK has suddenly transformed the prion into a media celebrity – and the centrepiece of an expanded research programme.

John Swales, R&D director for the UK National Health Service, is preparing urgently a "directed programme" involving two research councils and the health and agriculture departments.

Total public spending on research into spongiform diseases has been about £9m ($14m) a year; although the government has not decided how much more to allocate to the new programme, there will be a substantial increase.

The UK pharmaceutical industry, which has a large research effort in other degenerative brain diseases such as Alzheimer's, is also preparing to join in if necessary.

"This is a complex area of science and we are studying the published data on prion disease to enable us to decide whether there is a basis for launching a specific research programme aimed at CJD," says Allan Baxter, group research director of Glaxo Wellcome.

The position is reminiscent of the start of the Aids epidemic at the beginning of the 1980s, just after the disease had been recognised and before a diagnostic test was available – except that Aids was discovered on the other side of the Atlantic and the vast scientific resources of the US were quickly mobilised to meet that threat.

"This is particularly a UK issue and we cannot rely on the international community, as we did with Aids," says Sir Martin Rees, president of the British Association for the Advancement of Science.

However, few scientists believe there will be an epidemic of CJD on the scale of Aids or bigger, even if the suspected link between BSE and human disease is confirmed.

Although no one knows enough about prions to rule out the most alarming predictions, most experts say the "species barrier" between cattle and people is high enough to limit any outbreak of CJD to a few tens or hundreds of cases.

John Hardy, a specialist in degenerative brain disease formerly at St Mary's Hospital, London, and now at the University of South Florida, has been predicting such an outbreak ever since there was a small epidemic of spongiform encephalopathy among domestic cats at the beginning of the 1990s, presumably infected by BSE via pet food.

"Once it had crossed to cats, it was obvious that it would cross to humans in the same way," says Hardy, "and it is likely to be an equally small epidemic in people."

Gareth Roberts, his former colleague who is now running molecular neuropathology research at SmithKline Beecham, the UK drug company, says the latest evidence does not convince him that his resources should be diverted from Alzheimer's and schizophrenia to a crash programme of CJD research.

"Bear in mind that it takes five to 10 years to get a new drug to market, if everything goes perfectly; so you might miss any CJD epidemic while you were developing the treatment," Roberts says. "Meanwhile I know there are half a million people in the UK sick with Alzheimer's disease now and there will be 700,000 in 15 years' time."

In fact, CJD is similar to Alzheimer's on both the clinical and the molecular level. Both diseases result from toxic protein molecules, folded in an abnormal enzyme-resistant form, building up in the brain and causing dementia.

"You can think of CJD as an infectious Alzheimer's – and if we have a cure for Alzheimer's, we'll have a cure for CJD," says Bill Haseltine, a specialist in brain proteins who runs Human Genome Sciences, the US biotechnology company.

The "prion hypothesis" was a heretical idea when first put forward by Stanley Prusiner at the University of California, San Francisco, in 1980. He rejected the conventional idea that "slow viruses" caused infectious spongiform encephalopathies, of which scrapie in sheep was the most common example before BSE appeared.

Instead he proposed that the agents were simply protein molecules that convert a normal brain protein into a lethal form, just by changing shape. The process is like a slow biochemical chain reaction.

The scientific resistance to Prusiner – based on the dogma that transmissible diseases must be spread by agents with genes, such as viruses – has gradually melted away over the past 15 years, in the face of overwhelming experimental evidence. The prion hypothesis is generally accepted today.

A powerful piece of evidence is the "knock-out mouse", genetically engineered so that its brain does not make normal prion protein. Unlike ordinary mice, it cannot be infected with any of the prion diseases. Surprisingly, the knock-out mice's behaviour does not seem to suffer from the absence of the normal protein – leaving unanswered the question: what, if anything, is its proper function in the brain?

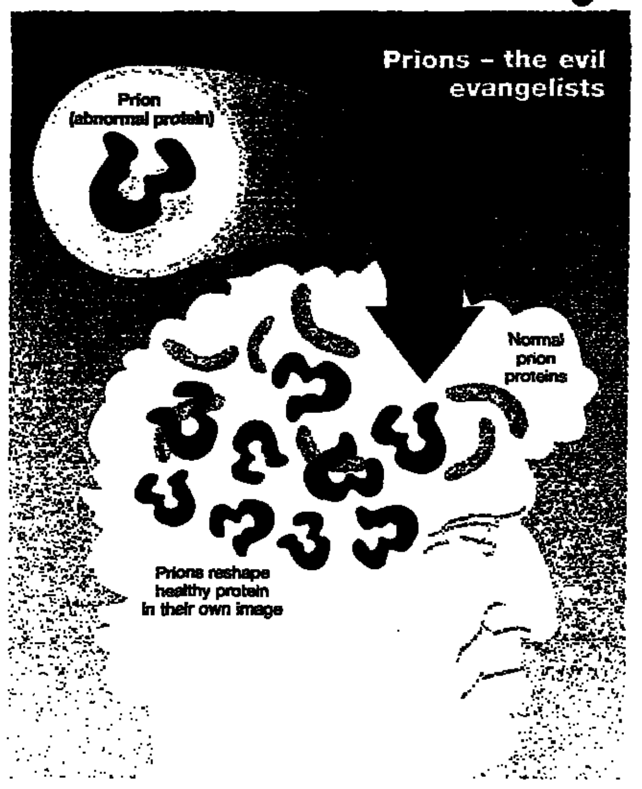
Transgenic mice are particularly useful for prion research. One of the most important experiments now in progress is at St Mary's, where John Collinge's prion research group is trying to pass BSE on to mice whose brains make human prion protein.

The results will provide much more precise information about the man/cow species barrier. But unfortunately the St Mary's experiment, like most work with prions, will take a year or two to complete.

Of all the long list of research priorities in this field, perhaps the most urgent is the need for faster techniques – not involving incubation in mice – to characterise different strains of prion and investigate their transmission between species.

On the practical level, a quick and sensitive test for prions in live people and animals would help enormously in the diagnosis and control of BSE/CJD.

With present techniques, the diseases cannot be confirmed reliably until there has been a post-mortem examination. Scientists at the US National Institutes of Health are developing such a test, based on samples of spinal fluid.



COMMENT & ANALYSIS

FINANCIAL TIMES
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Monday April 1 1996

Jobs for the G7 conference

Finance and employment ministers from the Group of Seven leading industrial countries assemble in Lille today to spend two days talking about growth and jobs – and how to get more of them. Like its predecessor, in Detroit, two years ago, the conference is meant to signal that improving the job market is a high priority for G7 governments. But it is more likely to serve as a reminder that, judging them by their deeds rather than their words, precisely the reverse is true.

The labour market problems which the participants are pledged to address are hardly less urgent today than they were two years ago. Since then the combined GDP of the Group of Seven countries has risen roughly 4 per cent, but the jobless have not shared in this growth.

Total unemployment, at nearly 23m, is not much lower than in early 1994: indeed, excluding the US, it has actually risen somewhat. Excessive wage growth does not seem to be to blame. On average, pay packets have risen a modest 2 per cent in real terms since the start of 1994.

In response to such grim data, the G7 ministers have set themselves three questions. How can high growth and jobs be ensured for all? How can the emergence of jobs of the future be encouraged? How can the situation of the most disadvantaged workers be improved? Of these, the last is the most pressing – and least likely to get an honest answer.

Waxing lyrical

As likely as not, the summiteers will wax lyrical about the need to foster high-technology – job-creating – industries of the future, while carefully sidestepping the question of how today's more humdrum labour and product markets might be improved.

The quality of jobs created, particularly in the US, is important. But governments do not know how to pick "winning jobs", any more than they know how to pick "winning industries".

By contrast, they do know – or ought to know, at any rate – how to improve the situation of the least-skilled in their respective countries. The trouble is that all the solutions require not merely economic growth but time and money. These days politicians live in dread of asking the voters for either.

The continental Europeans, have the worst of all worlds, with the highest rate of unemployment of all participants and, thanks to their efforts to meet the Maastricht criteria, probably the smallest chance of significant job-producing growth over the next couple of years.

Continued high unemployment is undermining the credibility of the French and German government's efforts to qualify for Emu. Lille would be a good place for both to declare that they regard a reduction in joblessness to be just as important a pre-condition for closer European integration as reducing public borrowing and debt.

Sacred cows

In many ways, the two challenges have much in common. With European Union governments currently spending more than 2 per cent of GDP supporting the unemployed, reducing joblessness could have a direct impact on European macroeconomic stability.

But achieving permanent falls in unemployment – like lasting cuts in budget deficits – will involve governments taking on some highly popular sacred cows.

Reducing the level of non-wage labour costs on unskilled labour ought to boost job prospects at the lower end of the wage scale significantly. But that will necessarily involve one of two things: shifting more of the present payroll tax burden to other workers or, just as tricky, more unpopular cuts in public spending.

Raising competition in product markets – another proven job-creator, is equally difficult, since the groups who lose out from greater competition tend to be concentrated, and well-defended, whereas the winners, for the most part, are neither.

Yet only by pressing forward on both fronts could the French and German governments show that they were willing to pay a higher price to beat unemployment than that of two first-class fares to Lille.

Drawing the dividing lines

The most frequent charge laid against Mr John Major's administration is that it lacks purpose. Too often the government seems to drift with the tide of expediency, only to find itself driven this way and that by the unexpected. Its uncertain handling of the present crisis in the beef industry is widely viewed as only the latest example of an approach which leaves it at the mercy of events.

As the general election approaches, ministers are acutely aware that this accusation is the most dangerous in the armoury of Mr Tony Blair's Labour party. The Conservatives' own research suggests that many of its erstwhile supporters consider that the government's vision goes little beyond sustaining itself in office. The charges of selfishness and sleaze in high places have lodged firmly in the public mind. Privately, senior ministers admit that unless they produce a more coherent programme for the next parliament they will hand the election to Mr Blair by default.

So it was sensible for Mr Major and his cabinet colleagues to turn their attention to policies at the party's weekend conference in Harrogate. Wisely, the party leadership has also put aside the futile internal wrangling of the past few years as to whether its programme should be defined as "Thatcherite", "Majorite" or "One Nation". Instead it hopes to project a handful of themes designed to entrench the loyalty of traditional Conservative voters while persuading waverers that a Labour government would not be as safe as Mr Blair pretends.

Populist initiatives

The pitch to the Tory party faithful came in a range of populist initiatives, some more convincing than others. Mr Michael Howard, the home secretary, cannot forever go on promising more prisons and tougher sentences for criminals. Mrs Gillian Shephard, the education secretary, appears increasingly uncomfortable with pressure from party managers to put revival of grammar schools ahead of improving comprehensives. More usefully, however, Mr Major unveiled plans which would allow the elderly to protect their savings if they take out insurance policies against the cost of long-term care. And later today, Mr John Gummer, the environment secretary, will respond to popular discontent with the privatised water companies by unveiling plans to inject greater competition into the industry.

The main battleground remains the economy. Both parties agree they must respond to the acute anxiety bred by ever more competitive international markets, by technological advance and by changing employment patterns. Few voters will be convinced by the government's record over the past few years in responding to those fears. The failure of Black Wednesday, when sterling was driven from the European exchange rate mechanism, and the subsequent tax increases are not easily forgotten.

New insecurity

But there are real dividing lines to be drawn. Mr Blair finds the answer to the new insecurity in proactive government, in partnership between state and industry, and in increased investment in education and training. Mr Major's prescription is for an ever-more flexible marketplace, with a smaller state, lower taxes and less regulation. As his deputy, Mr Michael Heseltine, put it in Harrogate, the "only security that will be on offer is the security that comes with the ability to change".

In theory these competing visions – as between Mr Major's "enterprise centre of Europe" and Mr Blair's "stakeholding economy" – should provide the basis for a serious and sensible debate during the approach to the general election, and a real choice for the voters on polling day. Differences over constitutional reform and over Britain's place in Europe should provide similar scope.

There are already signs, however, that this debate will be a passing phase. Mr Blair sees the government's record as his most potent weapon, while Mr Major's prospectus was intended only as a backdrop to a sustained assault on Labour. Sadly, both parties think they have more to gain from fighting the election on insults rather than issues.

FT Interview • **Rem Vyakhirev**

A lubricator of exchange

The chairman of Gazprom explains the gas giant's special role in Russia to **Robert Corzine** and **Chrystia Freeland**

Employees of Gazprom, Russia's richest company and the world's largest natural gas producer, say all of Russia can be seen from the top floor of the company's glitzy new $150m (£98m) skyscraper on the edge of Moscow.

That proved impossible, even on a crisp, clear March day. But the statement is not mere bravado.

Gazprom, and Mr Rem Vyakhirev, its chairman, are at the pinnacle of the peculiar breed of Russian capitalism – former Communist party apparatchiks who have used their political connections to take control of the country's vast natural resources and become Russia's new capitalist barons.

"Some people say we have too much," says Mr Vyakhirev, a diminutive figure whose infectious chuckle and grandfatherly manner belie a formidable reputation for navigating the treacherous political and economic waters of post-communist Russia. "But that is not the case. They do not understand what Gazprom gives to Russia. A whole month of gas costs less than a loaf of bread."

That may be so. But corporate, rather than social, largesse is on conspicuous display at Gazprom's headquarters. Sitting at a massive rosewood table in a lavish office and extinguishing a cigarette in a gold-plated ash-tray, chain-smoker Mr Vyakhirev quickly warms to his theme: that Gazprom is misunderstood by critics at home and abroad.

"People say we are a monopolist, a crocodile, but actually we are a simple schoolchild." But if Gazprom is a Russian schoolchild, then it is surely teacher's pet.

Mr Victor Chernomyrdin, the prime minister, ran Gazprom before he joined the cabinet, and he and his successor, Mr Vyakhirev, have secured a privileged status for the company.

In contrast with other sectors such as oil, Gazprom was not broken up into competing companies during the privatisation process which has transformed Russian industry. Instead, the entire Russian natural gas industry was granted unique legal status and turned into a single joint stock company in which the state retained a 40 per cent stake.

Fifteen per cent was sold to Gazprom employees, 10 per cent was retained by the company and the rest went to private domestic investors.

Gazprom management has power of veto over all purchases of the company's shares. The company also benefits from special tax breaks not available to other Russian companies.

By most measures, Gazprom dwarfs its counterparts in the west. It employs 360,000 people directly but supports 6m; controls a fifth of the world's natural gas reserves; is the largest gas exporter to Europe; accounts for an estimated 8 per cent of Russia's gross domestic product; and is the country's single largest hard currency earner.

Its special status has enabled it to expand quickly beyond the energy sector. The far-flung empire now includes 200 farms, 67 meat-packing plants, 31 dairies, an airline, a shipping company and a bank. Subsidiaries bottle mineral water and run luxury hotels. Next year, it will launch its first telecommunications satellite.

But the company is also still firmly rooted in the paternalistic communist past. Its Moscow headquarters has a hospital to treat the "special medical conditions" of workers who spend long periods in the Arctic's gas fields.

Walk through the Gazprom offices and you find numerous sets of the complete works of Pushkin, the Russian poet, published in a special edition sponsored by Gazprom. "Doesn't British Gas sponsor the complete works of Shakespeare?" asks one executive.

But Gazprom is known more for its political connections than its good deeds. Its warm relationship with the government has made it a prime target for critics, who see it as an embodiment of everything that is wrong with Russia's new political and economic order.

Professor Jeffrey Sachs, the Harvard economist who was one of the intellectual fathers of radical market reforms in eastern Europe, says Gazprom was "stolen" from the Russian people. He has called for its renationalisation.

Russian critics have gone even further, alleging that Mr Chernomyrdin has retained his past connections with Gazprom. But Mr Vyakhirev fiercely rebuts these allegations. The Gazprom boss says he has "very good personal relations" with Mr Chernomyrdin, but insists the prime minister does not own a single Gazprom share.

As for displaying favouritism towards his old company, Mr Vyakhirev says Mr Chernomyrdin is "a great statesman" who always puts the interests of the country first. "If Chernomyrdin had to choose between Gazprom and the state, he would choose the state."

Mr Vyakhirev argues that Russia is a unique country, where economic development "cannot follow the American or western European path" and that Gazprom must occupy a special place in such an economic order. He believes the company is uniquely placed to deal with the intractable problems that afflict the former Soviet Union.

For example, he argues that only an organisation such as Gazprom could manage successfully the barter system which has evolved between former Soviet republics. For example, Ukraine is one of Gazprom's biggest customers but cannot pay cash for the gas it uses. Instead the company takes flour, sugar, butter and meat, which it then supplies to Russian regional governments in Siberia, in lieu of local taxes.

It is an arrangement which, in Mr Vyakhirev's opinion, benefits everyone. On the one hand, he says, the Ukrainian consumers cannot afford to pay in cash. On the other, regional Russian authorities lack the financial skills necessary to buy their own supplies.

"They [the regional governments] simply do not know how to work on the market," he says. "They would go to Kiev and be deceived at once. They would be left with neither money nor sausages."

Mr Vyakhirev is equally disparaging of some of his western counterparts. British Gas, he says, "made certain mistakes in the past that they must pay for. After privatisation, they thought they would continue to live very comfortably, but competition does not permit this."

He classifies some other international gas companies as "non-friends" for their frequently voiced fears that Gazprom might use its vast gas reserves to flood the European gas market in order to drive out other exporters such as Norway and Algeria.

"It is stupidity, propaganda," he claims. "They all try to characterise us in a negative fashion, but I'm not offended ... we learn something even from being cursed."

He appears equally unruffled by the failure of Gazprom and its advisers to sell 9 per cent of the company's shares, either through a convertible bond to a foreign strategic partner, or directly to western institutional investors.

The deal, which has been expected for 18 months, is meant to raise funds to expand export capacity to western Europe. "But we're not rushing to sell the shares," he says, because the prices being offered are too low. "We can wait patiently until people get to know us – the shares won't go anywhere."

But, before the company has a chance to fully flex its muscles in the international arena, Gazprom could find itself hobbled by political changes at home. Last year, reformers in the government threatened to break up the company. That threat receded with the sacking earlier this year of Mr Anatoly Chubais, the deputy prime minister and architect of Russia's market reforms.

Not all the remaining members of the government are comfortable with Gazprom in its present form. Mr Evgeni Yasin, the economy minister, accuses the company of having insufficient financial controls. But he draws back from proposals for taking it apart. "Should you slaughter the milk cow while it is still giving milk?" he asks.

Although Mr Vyakhirev insists that Gazprom is too powerful a company with too important a role to be attacked by the Kremlin, even if a Communist president were elected in the June presidential ballot, he admits that a change of regime would bring "nothing good" for his fiefdom.

"No matter who is in power, they won't start dividing the pipelines or give them to some collective farm," he says. "The system cannot be disturbed."

That may be so. But, as a beloved child of the present regime, Mr Vyakhirev risks being selected as one of the first symbolic sacrifices if the government's Communist opponents come to power.

· OBSERVER ·

Synchronising the swimming

■ Olof Stenhammar, founder of the OM derivatives exchanges in Stockholm and London, was contemplating semi-retirement rearing cattle on a sleepy island outside the Swedish capital when his head was turned by an unexpected offer. The city's mayor sounded him out about heading Stockholm's bid to stage the 2004 Olympic Games.

A dab hand with the ice hockey stick and tennis racquet in his younger days, Stenhammar ran with the idea. A few weeks ago, he formally handed over as chief executive of the OM Group to his deputy Per Larsson, and he is now ensconced in the race to capture the games for a city which last played host in 1912.

The former swimming pool salesman will need the silver tongue that helped him build OM. Not only must he beat off competition from the likes of Rome, Cape Town, Athens and Rio, but he must also sweet-talk a sceptical, recession-weary Swedish public inclined to view the project as an expensive folly.

Stenhammar is staying cool. "It is a matter of educating people about the facts. The games would be a tremendous kick for this country – it just needs some self-confidence and belief in ourselves."

He has already persuaded the penny-pinching social democratic government to back the SKr12bn games budget with a SKr2.5bn state guarantee. New prime minister Göran Persson has also given his verbal backing, and the International Olympic Committee can expect to hear from Stenhammar shortly.

Meanwhile, he remains chairman of OM, and hence well-placed to oversee the launch of a range of Olympic options on the exchange. Now this was a notion that even the resourceful Stenhammar had not considered when Observer put it to him – but he sounded as if he could be a buyer.

Gulp

■ Robert Parker, the opinionated American wine critic, kept his £130-a-plate City audience on tenterhooks at the end of last week during his lecture on the merits of old versus new Bordeaux wines. Hotfoot from the region, Parker was prepared to deem the 1995 vintage the best year since the exceptional 1990 – but specifics were to be savoured only by subscribers to his own publication, Wine Advocate.

Meanwhile, lest his nose for a good deal (sorry, wine) should go off, Parker, whose points system more or less drives the American market, has reputedly insured his palate for $1m. By contrast, John Armit, of fine wine shipper John Armit Wines, who was hosting the lunch, had tried to insure his own taste buds for £1m "years ago", but got the brush-off from Lloyd's on the grounds that there was no medical way of testing whether someone had lost their sense of taste or smell.

Yours or mine?

■ Is there any corner of the globe in which Britain's mad cows are not providing media fodder? Cambodia is certainly onto the case, for its hacks have stumbled upon a solution to local difficulties with unexploded land-mines. Why not ship in the British cows, and let them roam free the length of the land, detonating the mines in the process, the Cambodia Daily has suggested.

"The English have 11m mad cows and Cambodia has roughly the same number of equally mad land-mines. Surely the solution to Cambodia's mine problem is here before our very eyes," the paper writes.

"The plan is simple, practical and will make mince meat of the problem overnight."

Capital show

■ In an Olympic year, the world's sports authorities can be expected to blast off particularly fiercely about drug-taking. But it sounds as if Chinese athletes have more to worry about than most.

In recent years, China – desperate for success – has been widely criticised for the way it runs its sports programmes. Nineteen world-class Chinese swimmers have tested positive for banned drugs, and questions have been asked about the way China trains and motivates its athletics stars, who have produced some dazzling (but fishy) feats.

China now claims to have adopted "severe measures" to curb doping. Wu Shaozu, head of China's State Physical, Culture and Sports Commission, said in Colorado Springs at the weekend: "We think the use of drugs in sport is illegal. We all hope to work with all the people in the world to fight against doping."

He added that China had now introduced a "3S policy" – strict testing, strict prohibition and strict sanction. Given China's use of the death penalty to counter a variety of crimes, that does sound ominous.

Stamp it out

■ French consumers will have noticed a rash of labels bearing the initials VF on their meat in recent days. Most will have been suitably reassured that the beef they are buying is therefore Viande Française – except those to whom it occurs that the same two letters also denote Vache Folle. (That's mad cow to you and me).

The Financial Times

100 years ago

The Indian wheat crop

The Statistical Bureau of India has issued its second general estimate of the wheat crop. The estimate first sent out gave the prospects as generally unsatisfactory, owing to the early cessation of the autumn rains, and the failure of the winter rains. Hardly any modification of the conditions has taken place, except that in the Punjab, and in the Western districts of the North-Western Provinces, rain at the beginning of February averted a disaster which seemed imminent, and a little more fell early in March in the latter Province. In the Punjab the area under wheat is about 20 per cent less than that of last year.

50 years ago

German industry control plan

To make sure that German will not make war again, the production of arms, ammunition and implements of war, as well as all types of aircraft and seagoing vessels, is prohibited under the Allied Control Council plan for the control of German industry. Steel, non-ferrous metals, chemical industries and machine manufacturing are restricted industries.

FINANCIAL TIMES
Monday April 1 1996

UK dealers urge industry to copy US methods

Europe car prices 'need 20% cut' to avert revolt

By John Griffiths in London

European car prices need to be cut by 20 per cent or more if Europe's carmakers are to avert a consumer rebellion, according to a team of franchised UK dealers which recently visited the US.

The team, from the National Franchised Dealers Association, whose 7,000 members sell 80 per cent of new cars in the UK, was sent to the US to investigate new car prices.

It found that like-for-like prices of new US cars are on average between 30 per cent and 40 per cent cheaper than in Europe.

Its investigation has concluded that by adopting "lean" production and retailing techniques and by simplifying the number of models on offer, European manufacturers could cut prices substantially.

The association and its parent organisation, the Retail Motor Industry Federation, believe private motorists are staying out of the new car market because prices are too high.

Consumers are "voting with their feet," Mr Neil Marshall, policy director of the motor industry federation, warned at the weekend. "It is becoming increasingly clear that private buyers are not suffering from lack of consumer confidence – as carmakers claim – but have decided that Europe's new cars are too expensive, are poor value, and are buying used cars instead," said Mr Marshall.

The inquiry findings, yet to be published in detail, conclude that European carmakers could cut prices by about 25 per cent. Savings could be made by:

- Reducing excessive stocks in a highly inefficient distribution pipeline compared with North America. It estimates Europe could strip £10bn-£13bn ($15bn-$19bn) annually out of distribution costs – around £1,000 a car – by adopting "lean" distribution and retailing, including a deep cut in dealer numbers.

Car dealers retrench ....Page 6
People ....Page 7

Statistics obtained for a Financial Times management report on car retailing in Europe show that US dealers on average are selling nearly four times as many cars per outlet as their European counterparts.;

- Simplifying models on offer. "Unlike the US, in Europe there can be thousands of permutations of specification for just one model range," said Mr Marshall;
- Cutting the number of models and brands sold, and spreading basic components such as engines over a much broader range of vehicles in order to match US production economies of scale.

Mr Alex Trotman, chairman of Ford worldwide, acknowledges that Europe's 50 car brands and 300 mainstream models cannot survive. "Some of the nameplates are going to disappear in the next 10 years," he says.

CAP Motor Research, the motor trade price guide publisher, warned at the weekend that oversupply and high new car pricing meant "the bubble could be about to burst on the glitzy new cars that have been stealing the motor show limelight from London to Geneva".

Mr Andrew Wilkinson, editorial director of CAP's Black Book, said: "Fear is growing in the motor trade that used prices for recently launched cars like the Vauxhall Vectra and new Ford Fiesta, now reaching the second-hand market for the first time, could collapse", adding to downward pressure on new car prices.

Microsoft plans to make PCs centre of home entertainment

By Louise Kehoe in San Francisco

Mr Bill Gates, Microsoft chairman, is today expected to unveil an initiative to transform the personal computer into the central element of future home entertainment systems.

Microsoft is drawing up specifications for what it calls a "simple interactive personal computer" (SIPC) which it hopes will help breathe new life into the home PC market. The device, designed to plug into a television, will control stereo systems and video disc players and give access to the Internet.

Although Microsoft is heading the effort, several other companies are thought to be involved, including Intel, the world's largest semiconductor producer; Compaq Computer, the largest PC company; and Toshiba and Sony, two of Japan's biggest consumer electronics manufacturers.

Details of the plan are expected to be announced by Mr Gates at a Microsoft conference for PC manufacturers in San Jose, California. It may be two years, however, before SIPC products emerge, industry analysts said.

The Microsoft initiative comes at a critical time for the PC industry as growth in the consumer segment of the market is slowing.

According to Dataquest, the market research group, the US market is nearing saturation – with 65 per cent of households earning more than $100,000 a year already equipped with at least one PC. In Europe, market penetration is lower but economic uncertainty, particularly in France and Germany, has slowed PC purchases.

However, Microsoft and Intel – long-time leaders in software and chips for PCs – believe they can increase home computer sales by finding a new role for the PC in the living room. They believe it could become as common as the stereo system or television set.

Earlier this month Gateway 2000, the leading direct marketer of consumer PCs, launched a range of products that signalled a shift in the direction of the Microsoft SIPC initiative. Gateway's living-room PCs plug into a large-screen TV. The keyboard and mouse are linked to the computer via infra-red signals much like a TV remote control device.

The SIPC is expected to incorporate features such as "instant on", eliminating the delay when a PC is first turned on, and compatibility with digital video discs which can store feature-length films and multimedia PC programs.

Some US industry executives believe lower PC prices will be sufficient to create a new mass market among consumers who are unwilling or unable to pay $2,000-$3,000 for a home PC.

Yeltsin calls off Chechnya offensive

Continued from Page 1

thinks that March 31 will be a borderline when everything will stop and peace and accord will come," he told NTV television. "I hope you understand it is impossible..."

Mr Yeltsin said Russian troops would react to any Chechen "provocations" and he refused to countenance Chechnya leaving the federation.

Up to 30,000 people have died in the conflict which began in December 1994 when Russian troops tried unsuccessfully to bring the breakaway republic back under Moscow's control.

In a speech on Saturday, Mr Gennady Zyuganov, the Communist party leader who is topping the opinion polls in the run-up to June's presidential elections, condemned Mr Yeltsin's record on Chechnya but offered few ideas of his own.

China cuts tariffs by a third to aid WTO ambitions

By Tony Walker in Beijing

China is introducing sweeping tariff cuts on about 5,000 items today amid confusion over continuing quota restrictions on some agricultural imports.

Beijing is cutting average tariffs by more than a third, from 35.9 per cent to 23 per cent. The cuts are part of an effort to bolster China's application to join the World Trade Organisation, successor to the General Agreement on Tariffs and Trade.

Lingering differences within the Chinese bureaucracy over quotas on politically sensitive agricultural items such as grain and vegetable oils appear to have delayed publication of the detailed changes. The Chinese press last week listed 34 items on which there would be quotas. About 380 agricultural products would have their import tariffs reduced, but no mention was made of wool.

Western officials believe this was an oversight as China has already announced it will reduce tariffs on various categories of wool.

Large agricultural exporters including the US, Canada and Australia have pressed China to open its markets further for farm products. But Beijing is proceeding cautiously because it does not wish to harm the interests of peasant farmers.

The Shanghai Securities News said yesterday in a front-page commentary that Chinese companies should not fear sweeping tariff cuts because the biggest effect of the change would be to reduce costs of imported raw materials. "Generally speaking, the effect of the cuts will not be as great as people imagine," the newspaper said. It noted that the largest cuts were in raw materials which are in short supply.

China is also removing the tax exemption on capital equipment imports for foreign-funded joint ventures from today. Foreign business has complained the measure will add substantially to start-up costs, and in some cases jeopardise new projects. The US-China Business Council, which represents some of the biggest corporations in the US, estimates that the cost of a typical investment may increase by as much as 25 per cent.

Ms Anne Stevenson-Yang, the council's chief representative in Beijing, said the new tariff cuts would not come near to compensating investors for the removal of the tax exemption.

However, businessmen appeared more sanguine. The representative in Beijing of an American technology company said the tax changes had stimulated investors to complete registration of new projects before the April 1 deadline.

Fresh trade round, Page 4
Threat to China-US links, Page 5

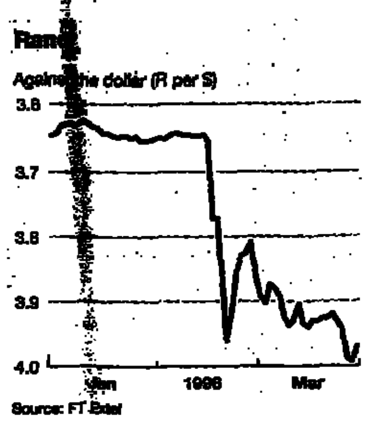
THE LEX COLUMN

Mercurial marriage

At first, Deutsche Telekom looks an odd choice as British Telecommunications' preferred buyer of Mercury if BT merges with Cable and Wireless. Why hand such a jewel – the biggest threat in BT's home market – to one of its main competitors in the race to create global telecoms alliances?

In fact there are compelling reasons. For a start, selling to Deutsche Telekom would at least mean leaving AT&T out in the cold: as a threat, the nationalised German operator looks the lesser of the two evils. But why not float the company, or find a consortium of independent investors instead? Part of the answer is that price matters too. Mercury is almost certainly worth more to a competitor which can make the most of its potential. And selling it cheap to someone else risks keeping it out of the hands of BT's competitors only very briefly. Deutsche Telekom or AT&T could simply buy it from the buyer, depriving BT of the benefit.

Also, Deutsche Telekom may be able to offer BT something no other buyer could: concessions such as accelerated or easier full entry for BT to the German telecoms market. Given the parlous state of Deutsche Telekom's finances, including such an agreement in a deal could suit both parties.



Source: FT Extel

South Africa

Last week's jitters in South African markets were inevitable. The appointment of a former political activist as finance minister, in place of a conservative banker, was bound to be unnerving. And it will doubtless take time for Mr Trevor Manuel to win the markets' confidence. But the chances are that he will.

The markets' biggest worry is that Mr Manuel, unlike his predecessor, is an elected politician; investors understandably fear he may be less tough on inflation and South Africa's fat budget deficit. On the other hand, monetary policy remains in the hands of the Reserve Bank and its highly-respected governor, Dr Chris Stals. And arguably, the controversial decisions needed to bring the deficit down actually require an elected politician in charge. Certainly Mr Manuel showed no reluctance to grasp nettles in his previous job: on the contrary, he brought down tariffs and trade barriers with dramatic speed.

This is, though, one reason why the markets are right to be nervous. If Mr Manuel's record and his desire to see some unravelling of South Africa's conglomerates are anything to go by, he is likely to be keen to press ahead with the lifting of exchange controls. He would be right to do so. In the short run, the outflow of funds would probably hurt the markets. But at least it would get the pain over with.

German pay-TV

The battle to dominate German pay-television is fast developing into a game of chicken. Plans by the Kirch Group to launch no fewer than nine movie channels – as part of a total package of about 30 channels – raise the stakes. Of course, the quality of the channels, which cannot yet be judged, will matter more than sheer volume. But it looks as though Kirch has an early lead in programming over the rival pay-TV consortium combining Bertelsmann, Mr Rupert Murdoch's BSkyB, Canal Plus and Havas. And if Kirch can establish its programming with German viewers first, it will have a big advantage.

But the Bertelsmann consortium shows no signs of chickening out. The involvement of Mr Murdoch may help close the programming gap, although BSkyB's TV expertise barely extends to German-language channels. The Bertelsmann venture also probably has deeper pockets than Kirch.

That may be important as bidding wars could push up the price of programming, while consumers may be reluctant to invest in decoders until it is clear which of the competing technologies will succeed. Such competition could derail Kirch's business plan, based on 2m subscribers and break-even in 2000. A truce between the rivals would clearly be better for profitability all round but one is unlikely to materialise quickly.

Banco di Napoli

Banco di Napoli's L3,155bn ($2bn) losses last year do not make it the most attractive privatisation candidate. But then the government's promise to privatise BN by the end of 1997 looks as unconvincing as its latest rescue proposals. Last week's plans, littered with conditions, looked more like a gesture to southern Italian voters than a genuine solution. The 84 per cent drop in BN's share price since its late 1991 listing is unlikely to entice new shareholders until the government thinks of something better.

There are two obvious role models the treasury could look at: Crédit Lyonnais and Banco Ambrosiano. With Banco Ambrosiano a group of leading Italian banks took on the assets and liabilities of the Italian operation, injected capital and created Nuovo Ambrosiano, which has proved astoundingly successful. By contrast, the Crédit Lyonnais rescue, which involved hiving off problem assets, has stumbled against European Commission concerns and falling interest rates, and it may now require a further refinancing.

It is unclear what guarantees Italy's government will need to make to get support for an Ambrosiano-style private sector bail-out. More certain, however, is that BN's near collapse provides another compelling reason why Italy should speed up the process of privatising its banking system.

Toyota

Toyota's plans to buy back Y100bn ($934.57m) of its own shares suggest another Anglo-Saxon fashion is about to catch on in Japan. The immediate trigger is a temporary change in the law, which discouraged buy-backs by taxing them as dividend distributions. Since the change, the Kirin and Asahi breweries, oil refiner Tonen and the Japanese subsidiary of US group Amway have announced plans for share repurchases. Now that Toyota, whose chairman is head of Japan's powerful employers' federation, has joined them that trickle could turn into a flood.

The financial logic behind these buy-backs is sound. Corporate cash flow in Japan has been positive for the past 18 months. And with the economy still sluggish, companies have been reluctant to crank up investment. Toyota has halved capital spending over the past four years and is now sitting on a Y1,400bn cash mountain which – given Japan's low interest rates – is earning little. So buying back shares immediately enhances earnings per share and the group's return on capital, which was just 3.6 per cent last year. Admittedly, the proposed buy-back will boost that by a mere 0.1 per cent. But it is still a small step in the right direction.

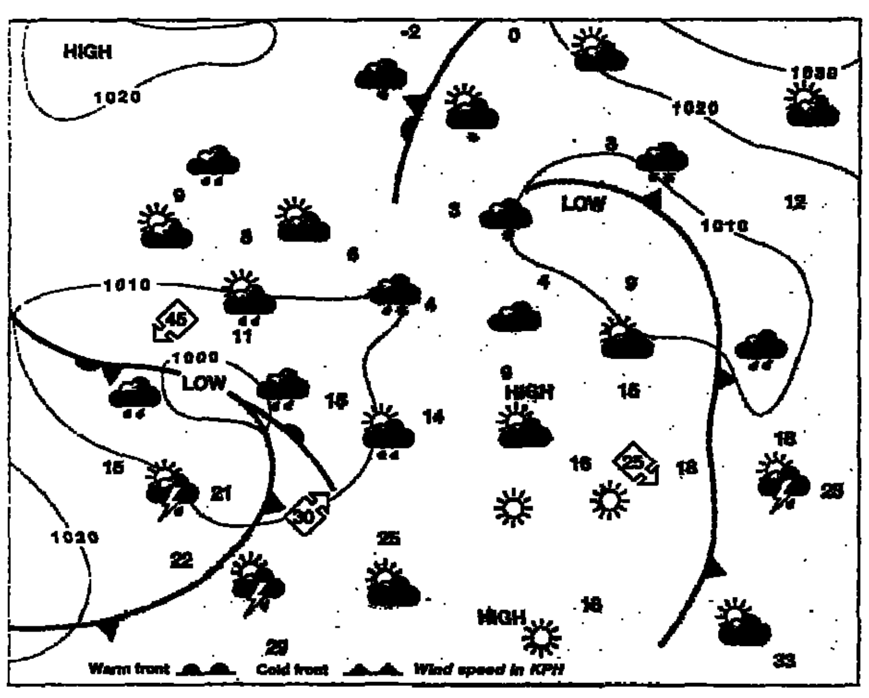
FT WEATHER GUIDE

Europe today

Temperatures will remain unseasonably low in western Europe. Germany and southern Sweden will have showers. It will become increasingly sunny in the Benelux and northern France. Low pressure moving from the Pyrenees to northern Italy will cause rain, which will be heaviest in southern France and northern Spain. The rest of Spain and Portugal will have rain and thunder. It will become sunnier over Greece and the Balkans. Rain will move east from Turkey. Scandinavia will be cold with snow in central and northern Sweden.

Five-day forecast

Western Europe will stay mostly dry with continuing low temperatures. Sunnier weather will bring a slight rise in temperature to England, France and the Benelux. Italy will have heavy rain on Tuesday, and possibly thunder. The southern Alps and the Dolomites will have snow. Greece and the Balkans will have rain and thunder towards the end of the week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	12	Caracas	fair	29	Faro	fair	19	Madrid	shower	14	Rangoon	sun	37
	Celsius		Belfast	shower	9	Cardiff	fair	9	Frankfurt	cloudy	8	Majorca	fair	18	Reykjavik	shower	5
Abu Dhabi	sun	28	Belgrade	sun	10	Casablanca	drzzl	21	Geneva	fair	12	Malta	fair	17	Rio	fair	28
Accra	fair	32	Berlin	snow	4	Chicago	fair	4	Gibraltar	windy	20	Manchester	fair	8	Rome	fair	16
Algiers	cloudy	21	Bermuda	cloudy	18	Cologne	fair	7	Glasgow	rain	8	Manila	cloudy	33	S. Frsco	shower	17
Amsterdam	fair	6	Bogota	cloudy	19	Dakar	sun	26	Hamburg	cloudy	4	Melbourne	shower	18	Seoul	fair	9
Athens	sun	17	Bombay	sun	33	Dallas	sun	22	Helsinki	cloudy	0	Mexico City	fair	22	Singapore	cloudy	31
Atlanta	fair	14	Brussels	fair	7	Delhi	sun	32	Hong Kong	cloudy	25	Miami	fair	29	Stockholm	snow	1
B. Aires	fair	29	Budapest	fair	7	Dubai	sun	28	Honolulu	fair	28	Milan	rain	11	Strasbourg	fair	10
B.ham	fair	8	C'hagen	snow	2	Dublin	fair	9	Istanbul	sun	13	Montreal	snow	3	Sydney	sun	26
Bangkok	fair	37	Cairo	sun	27	Dubrovnik	fair	13	Jakarta	cloudy	32	Moscow	cloudy	7	Tangier	rain	20
Barcelona	shower	17	Cape Town	fair	23	Edinburgh	cloudy	8	Jersey	cloudy	8	Munich	sleet	5	Tel Aviv	fair	28
									Karachi	sun	33	Nairobi	cloudy	28	Tokyo	cloudy	16
									Kuwait	fair	30	Naples	fair	15	Toronto	cloudy	4
									L. Angeles	fair	19	Nassau	cloudy	28	Vancouver	rain	12
									Las Palmas	fair	23	New York	rain	12	Venice	fair	12
									Lima	cloudy	24	Nice	rain	13	Vienna	fair	7
									Lisbon	shower	16	Nicosia	fair	21	Warsaw	snow	2
									London	fair	8	Oslo	cloudy	2	Washington	rain	11
									Lux.bourg	fair	7	Paris	fair	10	Wellington	cloudy	18
									Lyon	rain	10	Perth	sun	28	Winnipeg	fair	-1
									Madeira	fair	22	Prague	cloudy	4	Zurich	fair	9

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FINANCIAL TIMES
COMPANIES & MARKETS

Monday April 1 1996

Total seeks joint attack on refining capacity

By Robert Corzine in London

Total, the French oil company, says it wants to reduce its refining capacity and is keen to do so as part of a co-operative effort with other oil companies to cut the number of surplus refineries in western Europe.

The move follows the recent decision of British Petroleum and Mobil of the US to pool their refining and marketing assets in Europe. Mr Thierry Desmarest, Total's chairman and chief executive, said the BP-Mobil deal had been "a step in the right direction" for the downstream industry.

Mr Desmarest said many of Total's refineries were competitive, but "we have a little too much capacity". In an interview, he said Total wanted "to close half a refinery, probably in France and perhaps in co-ordination with other oil companies".

A 10-15 per cent surplus of refining capacity in western Europe had dragged down margins for many oil companies. Total would look at all options to improve refining and marketing competitiveness. It had traditionally been "over-exposed" to the European refining market and had maintained much more refining capacity than crude oil production.

Total "has not been pleased" about the retail petrol price war which has broken out in the UK, but it intended to remain a long-term participant in the British market, he said. Total's national market share was less important than having a strong marketing presence within key regions.

Looking further afield, he said Total intended to go ahead with its controversial oil and gas development project in Iran, even though pressure is growing in Washington for the US to take retaliatory action against western companies co-operating with Tehran in such a strategic sector.

Mr Desmarest said Total's planned $600m investment in the offshore Sirri fields in the Iranian sector of the Gulf would be financed through cash reserves, with first production by the end of 1998.

Total took over the project last year after President Bill Clinton barred Conoco, the US oil group, from implementing an agreement with Tehran to develop the fields.

He said Total had broken no international laws by investing in Iran and said there was no justification for any US retaliation. A fifth of Total's worldwide sales of petroleum products are in the US, where its downstream subsidiary has substantial minority interests.

US action against European companies active in Iran could lead to a clash between the European Union and Washington, he said. "It's hard to imagine any real retaliation. But if there is then it will be fought at the proper level."

Mr Desmarest, however, indicated that Total would not be quick to expand its involvement in Iran beyond the Sirri project. "This is a large one, so we will go slow."

He said Total was well on its way to lifting its daily average production to 1m barrels of oil equivalent by the early part of the next decade, compared with the 674,000 barrels a day achieved last year.

Reuter
Thierry Desmarest: BP-Mobil deal is 'step in the right direction'

Germany sees end to Postbank dispute

By Michael Lindemann in Bonn

The German government is confident it can persuade Postbank, the postal savings bank, to pay about DM1.2bn ($800m) annually for the use of the post offices belonging to Deutsche Post, the postal service, according to officials close to the negotiations. If the talks succeed, it would mark the end of months of difficult negotiations between the two state-owned institutions being prepared privatisation.

The dispute has been about what financial services the two should offer through Deutsche Post's nationwide network of post offices.

Agreement, however, will depend on the size of the stake that Deutsche Post is allowed to take in Postbank in order to cement their co-operation, an issue on which little progress has been made, according to an official close to the talks. The government is due to discuss this after the Easter break.

In January, Schroders, the London-based investment bank, was asked to review the relationship between the two companies after Deutsche Post launched a hostile takeover bid for Postbank last October. Following Schroder's report, the German government said Deutsche Post should be allowed to take a stake of "not more than 25 per cent plus one share" – effectively a minority controlling stake.

However, Postbank is continuing to resist this and has the support of the liberal Free Democratic party, the junior partner in the Bonn government coalition.

Government officials say, however, the government hopes to persuade the FDP and Postbank that Deutsche Post should be allowed to take a 25.1 per cent if it is barred from any influence over Postbank's strategic decisions.

Deutsche Post would only be allowed to have a say in Postbank's decision about the way it conducts business in its retail outlets, most of which are situated in Deutsche Post offices, officials said.

Deutsche Post wants Postbank to pay DM1.47bn annually, but the government fears an annual payment that big would jeopardise Postbank's privatisation, due before 1998.

Postbank originally said it would only pay DM800m for the use of the Deutsche Post offices. However, officials indicated it was likely to agree to pay about DM1.2bn if savings which result from restructuring at Deutsche Post were used to reduce that by about 6 per cent per year.

Richard Waters meets the architect of the merger of Chemical Banking and Chase Manhattan

Masterplans and minutiae

In a small room on the eighth floor of 270 Park Avenue, the anatomy of the US's biggest bank merger is laid out in detail.

Three eight-foot boards line the walls, each one charting events that stretch out to the end of 1998. A red triangle marks every step in the process that will turn two banks into one. An orange box signals the moment when a new computer system will be turned on, or an old one turned off; blue and yellow triangles show the cost savings and redundancies along the way.

For Mr Ed Miller, the former marine who is the architect of this giant schematic, the eighth floor office provides the best evidence that the merger of Chemical Banking and Chase Manhattan will work. "We have this pretty well buttoned down," he says.

A glance at the charts reveals the awesome detail in this planning. Two jobs will disappear in the wholesale banking operation in east Asia in November; three months later, 19 workers in the bank's trust department will leave. Add up the numbers in all those yellow triangles, and 12,000 jobs will have gone.

Mr Miller's resolve is almost as awesome as his diagrams. The merger of Chemical Banking and Chase Manhattan, which took effect at midnight, comes amid a political storm in the US over the seeming casualness with which big companies dispense with large numbers of workers.

Also, the apparent dominance of Chemical executives in the new bank – and the bad blood that has caused in the Chase ranks – has made this a painful union.

Edward Miller, Chase senior vice-chairman

Three ways for Chase to save $1.7bn

Where the cost-cutting will fall		Which parts of the bank will yield the savings		When it will happen	
Staff	$900m	Global wholesale banking	$900m	1996	$510m
Facilities/equipment	$270m	Regional and consumer banking	$600m	1997	$680m
Systems integration	$530m	Corporate	$200m	1998	$510m

The US big league

Dec 1995	Assets ($bn)	Net income ($m)	Market cap ($bn)
Chase Manhattan*	304	2,469	29.2
Citicorp	257	3,464	32.3
BankAmerica	227	2,664	25.9
NationsBank	187	1,950	20.2
J.P. Morgan	185	1,296	15.3
First Union	132	1,430	16.6
First Chicago NBD	122	1,150	12.7
Wells Fargo**	108	1,917	24.7
Bankers Trust	104	215	5.3
BancOne	90	1,278	15.1

* Combined figures for Chase and Chemical ** Combined figures for Wells Fargo and First Interstate
Source: Company reports

But with Wall Street firmly behind him, Mr Miller says he is not about to let up.

The causes for all this militaristic planning are not difficult to discern. As US banks complete some of the big mergers announced last year – the union of Wells Fargo and First Interstate also takes effect today – the long-promised wave of cost-cutting is about to break. With revenues growing at a crawl, it is the cost side that offers the best chance of higher profits.

At the new Chase Manhattan, that means $1.7bn in savings, which Mr Miller and his cohorts plan to squeeze out of the system within three years (it will lead to a merger-related charge of $1.9bn for the bank up front).

This is equivalent to nearly 40 per cent of the old Chase's costs, and will yield far more for the bottom line in the short term than the 3-5 per cent annual revenue growth the new bank hopes to generate. "I don't think [growth] is the first thing he thinks about when he gets up in the morning," says one person who has worked on the merger.

The long-promised wave of cost-cutting is about to break

A former Manufacturers Hanover executive, Mr Miller's first experience of a merger was that bank's combination with Chemical in 1991. The lessons learnt then, he says, are being put to work on Chase.

That seems particularly true in two areas. The most important concerns the computer systems of the merged bank: a collection of 1,500 different applications. "Last time, we addressed all the applications individually, then built bridges to knit them together," says Mr Miller. That produced a tangle that took 18 months to sort through.

This time, the bank has picked entire suites of computer systems from one side or the other, rather than individual applications.

That should ease the most difficult job ahead: combining the two retail branch networks, a process which will take place this summer. As one former Chase executive says, by taking fast decisions on systems, the new bank stands a better chance of avoiding the sort of customer service problems that bedevilled the Manufacturers Hanover merger.

The second lesson from that earlier deal concerns people. While it is generally perceived that Manufacturers Hanover executives eventually came out on top, efforts to appear even-handed led to a painstaking sharing of jobs early on.

This time there has been little attempt to appear balanced. Executives from Chemical, the larger of the two banks, have emerged in charge of both the retail and wholesale banking operations (Mr Miller and Mr Bill Harrison) and of the bank overall (Mr Walter Shipley).

Chemical bankers also fill around 60 per cent of the management jobs announced so far – a split which reflects the relative size of the two banks, executives of the former Chemical say. Mr Miller says there was no conscious attempt to hand the plum jobs to Chemical, and adds of that bank's dominance of the most senior ranks: "Someone had to run the show."

There is a similar lack of ambiguity about job losses. Moving fast to cut jobs, says Mr Miller, "minimises the ambiguity" and "reduces the stress". He brushes aside the political backlash in the US over large redundancies such as those he is planning: "The plan has to be able to withstand scrutiny." As for the morale problems that stem from a merger, he adds: "You are never going to eliminate the human element fully from the process."

This unflinching approach has made Mr Miller something of a hero to Wall Street. The new Chase predicts that it will provide three years of double-digit earnings growth, at a time when the banking industry is coming to the end of its cyclical profits rebound.

The longer-term question of how to generate growth remains unanswered: but for now, stock market investors seem hardly even to be asking.

New era for Japanese banks, Page 22

INSIDE

Kirch

Kirch, the German media group, plans to launch nine film channels in the summer as part of its bid to establish leadership in German pay-TV over a rival group consisting of Bertelsmann, BSkyB, Canal Plus and France's Havas. Page 21

Cunard

The lossmaking UK cruise line is planning to spend up to £15m ($23m) refitting the QE2 less than two years after a botched overhaul forced the company to pay £7.5m in compensation to passengers. The subsidiary of Trafalgar House – the object of a £904m agreed bid by Kvaerner of Norway – is expected to seek tenders once the takeover has been completed. Page 20

Faces

Mr Donald Brydon (left), deputy chief executive of BZW, the investment banking arm of Barclays Bank of the UK, has had a turbulent few weeks. First he was portrayed by Ms Diane Abbott, the Labour MP, as the Svengali of a cabal responsible for ousting Mr Michael Lawrence as the Stock Exchange's chief executive. Then on Friday he had to step forward as acting chief executive of BZW after the death of his close friend Mr David Band. Page 23

Fund Management

Fidelity, the US fund management group, is probably best known for the free-wheeling style of managers such as Mr Jeff Vinik of the Magellan mutual fund. But Fidelity's UK arm has tried to take advantage of the group's stock-picking expertise, as demonstrated by Mr Anthony Bolton, head of the Special Situations and European unit trusts, while, for the institutional market, damping down the volatility that can result from this approach. Page 23

Italian bank incurs $2bn loss

By Andrew Hill in Milan

Banco di Napoli has realised analysts' worst fears by reporting a net parent company loss of L3,115bn ($1.99bn) in 1995, after writing down nearly L3,000bn of bad debts.

The result – the worst ever reported by an Italian bank – underlines the scale of the task faced by management and the Italian government, which are trying to save the bank.

Banco di Napoli said the 1995 losses had undermined its capital base, reducing it from L3,584bn at the end of 1994 to L522bn at the end of last year, which had highlighted the urgent need for recapitalisation.

In 1994, in what was signalled at the time as a once-and-for-all clean-up of the bank's loan portfolio, Banco di Napoli lost L1,147bn. Since then, new senior management has imposed an even more drastic regime, and embarked on a heavy restructuring.

Last week, the Italian government agreed a decree which will allow it to extend an initial L1,000bn emergency treasury loan to Banco di Napoli, and underwrite a further L1,000bn of capital increases – on condition that restructuring is carried out, labour costs are cut, and other banks are prepared to back the capital increases.

The rescue plan will give the treasury, which has a minority stake, temporary control of the bank, one of Italy's largest and oldest financial institutions.

The European Commission is understood to be examining the rescue plan to find out whether the package covers up illegal state aid.

Political opponents of Mr Lamberto Dini – who is prime minister, treasury minister, and a leading candidate of the centre-left in the April 21 elections – have accused the government of taking a political decision in the hope of courting voters in the poor southern half of Italy.

Many of Banco di Napoli's problems stem from the fact that for decades it was run as a political fiefdom.

Mr Federico Pepe, Banco di Napoli's managing director, said after the results were released late on Friday that the huge increase in write-downs was simply the result of applying "standard methods of loan control, which had been for various reasons perhaps a little neglected at Banco di Napoli".

Mr Pepe is pushing through a far-reaching restructuring, including the sale or closure of lossmaking branches. He must also try to convince unions to accept a cut in salaries, which are much more generous than in the rest of the Italian banking system.

Other Italian banks have been slow to announce their support for the treasury's rescue plan, which envisages a L1,000bn to L1,500bn total contribution from banks, followed by privatisation beginning by the end of 1997.

Of the group of banks which provided an emergency loan last year, Banca Popolare di Novara has already said it would not take part in further recapitalisation and others have indicated they were only prepared to convert the short-term loan into a subordinated loan.

Banco di Napoli said that in spite of the erosion of its capital and the loan write-downs, total loans to customers had declined only 12 per cent to L47,766bn in 1995, while client deposits were just over 1 per cent lower at L48,890bn.

One early casualty of Banco di Napoli's restructuring could be Isveimer, the group's medium-term loans subsidiary, which is likely to be liquidated.

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COMPANIES IN THIS ISSUE

BET offers 20% rise in payout

By Peggy Hollinger in London

BET, the UK business services group facing a hostile £1.8bn ($2.7bn) bid from Rentokil, yesterday fired its last salvo in the fight for independence by promising shareholders a 20 per cent increase in the 1997 dividend.

The pledge to pay at least 6.15p per share next year comes in a circular to shareholders published yesterday, which sets out what is expected to be the final plank in its defence. The dividend increase follows the group's forecast earlier this month of a 28 per cent rise to 5.1p in the 1996 payout.

Mr John Clark, chief executive, said the latest dividend forecast should "confirm the board's confidence in the exciting future of the company".

He attacked Rentokil's cash and shares offer – which values BET shares at 203p – as opportunistic financial engineering. "This is not a fat, bloated company in bad shape," he said. "This is a damned good company and we have turned it around."

He dismissed as misleading suggestions that the market backed Rentokil's 203p offer, as BET's shares on Friday had closed on a par with the bid. The environmental and industrial services group was trying to "buy the company on the cheap before the market had a chance to reflect the returns coming through" in the current year, he said.

He denied the share price was inflated by the bid and said it could be justified on fundamentals. This implied Rentokil's offer was too low. At 203p, BET was trading on an historic price/earnings ratio of 18.8 times, he said, against a sector rating of 20.5 times.

The BET document is expected to be its final substantial release, although it has until Friday to publish new financial information.

The increase in the payout was welcomed by investors and analysts, but seen as by no means enough to guarantee the company's independence.

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Cunard plans £15m refit for the QE2

By Tim Burt

Cunard, the lossmaking cruise line, is planning to spend up to £15m refitting the QE2 less than two years after a botched overhaul forced the company to pay £7.5m in compensation to passengers.

The subsidiary of Trafalgar House – currently the subject of a £904m agreed bid by Kvaerner of Norway – is expected to seek tenders for the work once the takeover has been completed later this month.

Although the proposal has yet to be approved by Kvaerner, senior executives at Cunard claim the refit is vital to maintain the QE2 as one of the world's premier cruise ships.

Its reputation was severely damaged in 1994 when it set sail before a £30m refit had been completed, resulting in a flood of passenger cancellations and compensation claims.

Mr Peter Ward, chief executive of Cunard, said the latest refit would be funded from existing provisions and debt.

"The QE2 is the pride of Britain's maritime fleet and we must maintain it," he added.

If Kvaerner approves the refit it could signal a change of heart by the Scandinavian construction and engineering group, which last month hinted it might sell Cunard following the takeover.

The company is known to regard Mr Ward highly and is anxious to know how quickly he can turn round the cruise line.

The former chief executive of Rolls-Royce Motor Cars is overseeing a £31m restructuring at Cunard, of which about £8m has been spent since he took over last autumn.

As part of the restructuring, the on-shore workforce has been cut by almost 25 per cent to 520 in a consolidation of back office functions.

Mr Ward also hinted at redundancies among "ringed officers" on board Cunard's seven ships, which are being reorganised into individual business – each one supported by common purchasing, marketing and reservation systems.

He has asked the newly-appointed directors of each ship to present their staffing requirements by the end of May.

Cunard is unlikely to break even before 1998 and Mr Ward warned that losses this year could match the £16.4m deficit recorded in 1995. Nevertheless, he is expected to tell Kvaerner that Cunard could be a profitable business under his five-year revival plan.

Cunard claims the refit is vital to maintain the QE2 as one of the world's premier cruise ships

MSB likely to get up to £40m tag from flotation

By David Blackwell

MSB International, the information technology contractor, will this week publish its pathfinder prospectus.

The group, which is likely to be valued at up to £40m, claims to be the fastest growing company in its sector. Profits in the year to the end of January more than doubled to £3.4m on sales of £38.6m.

Mr Mark Goldberg, founder and joint managing director, said the number of contracts rose from 400 to 850 last year, and had increased by more than 100 since the year end. Clients included NatWest and Lloyds of London, but the biggest single client – Citibank – accounted for just 3.5 per cent of turnover.

Mr Goldberg, who has 40 per cent of the shares, and three other directors own the company. They will be selling about 25 per cent of the shares for about £10m, and raising a further £2.5m from the sale of new shares.

The new money will be used to strengthen the balance sheet to £3.5m, cutting gearing from 160 per cent to about 66 per cent. The directors, who want to realise some of their investment, aim to hold on to 70 per cent of the group.

Mr Goldberg, 32, originally went into business in 1984 with permanent recruitment. He switched to contract recruitment in 1988 and turnover shot from £450,000 to £4.2m in 18 months. However, the rapid growth outstripped the group's financial controls, and it went into voluntary liquidation.

It was relaunched in 1991 with new investors, and has reported annual growth of more than 40 per cent for the last two years.

Sponsor and broker to the issue is Beeson Gregory. Impact day is expected at the end of the month with first dealings in early May.

Maiden aims to raise £20m

By Diane Summers, Marketing Correspondent

The Maiden Group, the second largest outdoor poster advertising company after More O'Ferrall, intends to offer about 25 per cent of its shares to the public next month in a flotation, which should value the company at about £65m.

The pathfinder prospectus is due to be published on April 18, with dealings commencing mid May. Maiden will join More O'Ferrall as the only outdoor advertising companies listed on the London market.

The management and employees will continue to hold about three-quarters of the shares. The aim is to raise about £20m of new money to pay down debt and free up cash flow for the development of poster sites, said Mr Ron Zeghibe, chief executive.

The 70-year-old company was controlled by the Maiden family until 1993, when Mr Zeghibe led a "bimbo" – a management buy in/buy out – funded by institutional equity and loan stock totalling £7.3m and debt of £8.75m. Last year Maiden raised debt finance in order to buy out the development capital institutions.

The group said turnover had increased 52 per cent in the last three years to £36.5m and operating profit, excluding exceptionals, by 77 per cent to £5.9m in 1995. Sales are expected to top £50m this year.

Maiden, which has about 25,000 sites, over half of them in the London, South East and Anglia regions, specialises in the large 48-sheet and 96-sheet posters. Last summer it bought British Transport Advertising for £1.8m, which means it now sells space on panels in train stations and on hoardings on railway land.

The placing will be sponsored by Deutsche Morgan Grenfell with NatWest Securities as brokers.

Canary Wharf owners set up tax saving deals

By Simon London, Property Correspondent

The owners of Canary Wharf, the large office development in London's docklands, have started a series of sale and lease-back transactions which could unlock up to £400m of tax allowances.

One deal, with Royal Bank of Scotland, has been signed since Canary Wharf was acquired in December by a consortium led by Mr Paul Reichmann, the Canadian who masterminded its development in the 1980s.

Royal Bank is thought to have paid about £100m for long lease on one of the buildings on the docklands site. The building was leased back to the consortium on a shorter lease and, in turn, let to the tenant which occupies the site.

Although the consortium retains the freehold, Royal Bank is regarded as the owner for tax purposes and can use the allowances to shelter its UK profits.

The benefits are shared with Canary Wharf in the form of cheap financing costs. The consortium cannot use the allowances directly because Canary Wharf has no taxable profits.

Mr Bob Spiers, Royal Bank's finance director, is a former director of Olympia & York, the Reichmann family's development company which went into administration in 1992.

The consortium is hoping to arrange a second, larger deal in the next few weeks. It has approached other banks and utilities, the main participants in the so-called 'big ticket' leasing market.

Further deals would enable the consortium to refinance bridging loans put in place at the time of their £800m acquisition of Canary Wharf.

UAP consider expansion of phone-based insurance

By Ralph Atkins, Insurance Correspondent

UAP, the large French insurance group, is considering a significant expansion of telephone-based insurance in Europe, studying possible ventures in Spain and Austria.

The moves would add to UAP's existing telephone-based activities in the UK and Germany and further intensify competition in European personal insurance markets.

UAP's new ventures will focus on motor and household insurance. Mr Jacques Friedmann, president, said: "Our strategy is to be ready to enter markets where we think there are good opportunities for UAP."

In Spain, UAP could find itself competing with Direct Line, the Royal Bank of Scotland subsidiary which pioneered "direct" telephone-based selling in the UK and set up a Spanish joint venture in 1994. Spain is Europe's fifth largest motor insurance market.

The French insurer will be drawing on its experience in the UK running Prospero, the Lancaster-based telephone insurer which is part of the Provincial insurance group acquired by UAP in 1994.

Prospero's motor activities have expanded to about 80,000 policies in 18 months but are not yet generating profits and face stiff competition from Direct Line.

Last week, UAP overall announced its first full-year loss, reporting a deficit of FFr2.06bn ($409m) due to heavy provisions for property holdings and loans, and to lower capital gains to offset them.

UAP is thought not to be contemplating substantial acquisitions in the near future, but telephone based insurance ventures offer a relatively cheap method of expansion.

By cutting out brokers and their commissions, they can sell policies at lower rates, taking advantage of European Union rules which since 1994 have swept away many restrictions on insurance rates and conditions.

Germany, in particular, has seen a number of foreigners setting up Direct Line-type companies, including UAP and its French rival, Axa.

Lafarge, the French building materials group, is expected to site a FFr1.2bn cement works at La Grande Paroisse near Montereau, in the Seine-et-Marne region of France, agencies report. The new factory would create 400 new jobs.

Standard Life to expand range

By Alison Smith, Investment Correspondent

Standard Life, the UK's largest mutual life assurer, is planning to expand the range of services it provides by offering deposit accounts in the autumn.

But unlike other life assurers which have started down this route, Standard does not intend to operate under its own banking licence. Instead, it is in detailed talks with a few banks about how it might outsource the deposit-taking, while selling its own brand of liquid savings accounts.

The shortlist includes Bank of Scotland, of which Standard Life owns about one-third.

Standard believes that if it does not carry out the banking function itself, it can provide the service more cheaply and so give customers better rates.

The rationale for the move into deposit accounts is similar to that set out by Scottish Widows, another mutual assurer, when it launched itself as a bank last spring.

It is partly a response to increasing aggression on the part of banks and building societies which also sell financial services. Several of them now see the arrival of any large lump sum in a customer's account as a cue to offer investment advice.

Deposit accounts offered by life assurers can be used to hold policies that have matured while investors decide what to do with the money in the longer-term.

Kirch plans programming blitz

By Hugo Dixon, recently in Munich

Kirch, the German media group, plans to launch nine film channels in the summer as part of its bid to establish leadership in German pay-TV over a rival group consisting of Bertelsmann, Mr Rupert Murdoch's BSkyB, Canal Plus and France's Havas.

The nine movie channels will be part of a package of about 20 channels provided by DF-1, the Kirch group's pay-TV subsidiary. DF-1 is negotiating with outside programme providers to supply a further 10 or so channels, taking the total package to 28-30.

Mr Gottfried Zmeck, DF-1 chief executive, said last week that the movie channels would be thematic. The rest of the package would include three sports channels, four thematic TV series channels, two documentary channels and a classical music channel.

Mr Gottfried Zmeck: to launch nine thematic movie channels

The Kirch Group hopes that its programming blitz will establish its package with German viewers before the Bertelsmann consortium is ready with its rival service.

Mr Zmeck said that DF-1, which is due to start its field trial today, already had four weeks of programming for the channels in place.

The Bertelsmann venture, which was only formed last month, is less advanced with its plans. It is looking to launch 10 to 15 channels in September or October, but has yet to finalise its line-up or choose a chief executive.

DF-1 is forecasting 2m subscribers by 2000, rising to up to 7m in 10 years' time. It expects to invest DM500m-DM1bn ($339m-$667m) before the service breaks even in 2000 and all the investment to be paid back by 2003.

Mr Zmeck said customers would pay between DM25 and DM50 a month, depending on whether they took a basic line-up of channels or the whole package.

They would also have to pay for a decoder box, which is being supplied by a joint venture between the Metro retailing group and Vebacom, part of the Veba conglomerate. The ex-factory cost of the boxes is around DM800 each.

See Lex

Japanese paper groups to reunite

By Emiko Terazono in Tokyo

New Oji Paper and Honshu Paper, two leading Japanese paper companies, announced they are to merge later this year to create the world's second-largest paper and pulp company after International Paper of the US.

The new company, to be named Oji, will have consolidated sales of Y1,249bn ($11.7bn), and 19.2 per cent of the overall Japanese paper market.

Mr Masahiko Okuni, who will become president of the new company, said there was a possibility that Oji would consider acquiring European or US paper groups in the future.

In terms of products, the two companies complement each other: New Oji's main products include newsprint, printing paper and wrapping paper, while Honshu is a leading paperboard maker.

New Oji, capitalised at Y64.3bn, posted consolidated sales of Y779.7bn for 1995-96 and current profits of Y18.2bn. Honshu, capitalised at Y39bn, made consolidated recurring profits of Y2.7bn on Y470.2bn of sales.

Under the terms of the merger, five New Oji shares will be swapped for six Honshu shares. The deal is due to be completed in October. The two companies were part of a large paper group disbanded in 1949 by US occupation forces. Officials said it was natural for the two to reunite.

The merger is part of a trend towards larger, more efficient companies in the industry. Sanyo-Kokusaku Pulp and Jujo Paper merged in 1993 to become Nippon Paper Industries, while New Oji Paper was itself created by a merger between Oji Paper and Kanzaki Paper in the same year.

Officials said a larger company would benefit from cheaper procurement costs of raw materials, and a bigger distribution system would also reduce costs.

ABN Amro, BZW buy into Mediaset ahead of flotation

By Andrew Hill in Milan

ABN Amro, the Dutch banking group, and BZW, the investment banking division of Barclays Bank of the UK, have bought stakes in Mediaset, the Italian media group controlled by Mr Silvio Berlusconi, ahead of its flotation.

ABN Amro has invested L70bn ($44.6m), which will give it a stake of about 1 per cent in Mediaset – valuing the whole company at some L7,000bn – and BZW has invested L15bn for an unspecified stake. Both banks are jockeying for a role as lead managers in the company's flotation.

Mr Berlusconi, who is bidding to recover the Italian premiership at the country's April 21 election, is trying to defuse the conflict of interest between his political and business activities.

Fininvest is in talks with British Telecommunications with a view to setting up a joint telecoms venture between Mediaset and Albacom, BT's Italian alliance with Banca Nazionale del Lavoro. Under such a deal, it is believed BT would also take a small stake in Mediaset and might appoint a director to its board.

Fininvest declined to comment on the talks yesterday, but Italian newspapers reported that Albacom was planning to raise its capital from L9.9bn to L50bn at a shareholder meeting today.

The decisions by ABN Amro and BZW to take stakes in Mediaset are the latest example of a corporate finance trend in which potential advisers and lead managers demonstrate their confidence in the company by investing.

Mr Bernardo Attolico, of BZW's corporate finance department, said: "We made an investment on its own merits and we wanted to do it. At the same time, we want to participate in the offering, because we think it's a good transaction."

Mediaset has already appointed Morgan Stanley of the US and Imi, the Italian banking group, as joint global co-ordinators of the offer. Imi bought L100bn of shares in Mediaset at the end of last year, at the head of a consortium of six banks which took a 5.5 per cent stake.

Morgan Stanley is also believed to be considering an investment, while other investment banks are thought to have expressed interest in handling part of the flotation.

The sale of Mediaset began last year with a capital increase which left 18 per cent of the company in the hands of Kirch, the German media group, Richemont, the Swiss-based company controlled by the Rupert family of South Africa, and Prince al-Waleed bin Talal bin Abdul of Saudi Arabia.

Apart from the banks, two mutual funds managed by Capital Research and Management of the US have also taken a 2.3 per cent stake through the capital increase, which formally closed yesterday.

Peter Wallenberg steps back

By Hugh Carnegy in Stockholm

Mr Peter Wallenberg, one of Europe's most powerful industrialists, is set to drop his direct involvement in his family empire's many leading international companies following his 70th birthday next month. This would reduce his commitments to the chairmanship of Investor, the main Wallenberg investment vehicle, it emerged at the weekend.

In the latest move, Mr Wallenberg is to leave the post of chairman of Atlas Copco, the world-ranking maker of compressors and mining tools where he spent much of his early career before succeeding his father Marcus as the chief of the family's interests on the latter's death in the 1980s.

Mr Wallenberg had already announced he was retiring as vice-chairman of Skandinaviska Enskilda Banken, the financial flagship of an empire which includes Astra, Electrolux, Ericsson, Saab, Scania, SKF and Stora.

A spokesman for Investor said Mr Wallenberg would in due course confine his direct involvement as a director to heading Investor, handing over his responsibilities to his son Jacob, his nephew Marcus, or other trusted senior executives within the tightly-knit Wallenberg circle.

Other positions Mr Wallenberg is set to leave include the vice-chairmanship of Ericsson, the telecommunications group, and the chairmanship of Asea, half-owner of the Swiss-Swedish engineering giant ABB. He also serves as co-chairman of ABB. In addition Mr Wallenberg is on the international advisory boards of Swiss Bank Corporation and National Westminster Bank and the European advisory council of General Motors.

Mr Wallenberg has for some time said he intended Jacob and Marcus to succeed him as joint chiefs of the century-old empire. They will be the fifth generation of Wallenbergs. But Mr Wallenberg senior is clearly not ready yet to retire fully. His role at Investor, which holds most of the family investments in the array of companies, is the key position in the sphere.

Mr Marcus Wallenberg will initially take on more directorships than his cousin. He is at present a senior executive at Investor, which holds most of the Wallenberg investments in the array of companies.

NEWS DIGEST

Bonn confident of Postbank deal

The German government is confident it can persuade Postbank, the postal savings bank, to pay about DM1.2bn ($812m) annually for the use of the post offices belonging to Deutsche Post, the postal service, according to officials close to the negotiations. If the discussions prove successful, it would mark the end of months of difficult negotiations between the two state-owned institutions being prepared for privatisation.

The dispute has been about what financial services the two companies should offer through Deutsche Post's nationwide network of post offices. Final agreement, however, will depend on the size of the stake that Deutsche Post is allowed to take in Postbank in order to cement the co-operation between the two companies, an issue on which little progress has been made.

In January, Schroders, the London-based investment bank was asked to review the relationship between the two companies after Deutsche Post launched a hostile takeover bid for Postbank last October. Following Schroder's report the German government said Deutsche Post should be allowed to take a stake of "not more than 25 per cent plus one share" – effectively a minority controlling stake. However, Postbank is continuing to resist this proposal and has the support of the liberal Free Democratic party, the junior partners in the Bonn government coalition who argue that Postbank's privatisation prospects are improved if there are no larger outside stakeholders like Deutsche Post.

Michael Lindemann in Bonn

Japanese developer sees loss

Mitsubishi Estate, the Japanese property developer, announced it would revise downwards its annual earnings forecast because of extraordinary losses from the sale of its ownership in New York's Rockefeller Center last May. Mitsubishi Estate, which had initially forecast consolidated net profits of Y1.3bn for the year to March, said it would now post net losses of Y99.5bn ($931m).

The company said it would record an extraordinary loss of Y78bn on a consolidated basis resulting from a write-off of Y109.3bn from its sales of Rockefeller Center and a credit of Y31.3bn from the elimination of related debts. Mitsubishi Estate said it would also realise a special loss of Y24.6bn from a revaluation of its investment in the Paternoster Square redevelopment project in London.

Emiko Terazono, Tokyo

Agnelli offshoot ahead

Ifil, the Italian holding company controlled by the Agnelli family, is on course to report an increase in consolidated and parent company net profit of more than 7 per cent for 1995. Ifil said net profit at the parent company had risen to an estimated L130bn ($83.8m) in 1995, against L122bn the previous year. Consolidated profit would be "significantly higher" than the L280bn recorded in 1994. Analysts believe the final profit, to be announced on May 22, will exceed L300bn.

Andrew Hill, Milan

Hypo-bank lifts profits

Bayerische Hypotheken-und Wechsel-Bank raised group operating profits after risk provisions by 17.4 per cent last year to DM1.3bn ($880m) and is paying an unchanged dividend of DM1.45 a share. It will give full details of its 1995 performance and outline prospects today. Hypo-Bank also said it was putting DM287m into reserves compared with DM148m the year before.

Andrew Fisher, Frankfurt

Advance by Aegon

Aegon, the Dutch life insurer group, said 1995 net profits rose 14.9 per cent to a record Fl 1.32bn ($800m) in 1995, slightly exceeding its earlier forecast that full-year growth would be "somewhat higher" than 12 per cent. For 1996, the insurer expected to see a "clear increase" in profits of between 7 and 12 per cent. The 1995 earnings improvement came across the board, both geographically and by business sector.

Revenues were barely changed at Fl 20.98bn compared with Fl 20.83bn in 1994. The small increase in guilder terms was due to the strength of the currency and the closure of the Aegon UK operation. Excluding these, revenue growth would have been 9.2 per cent. Mr Kees Storm, executive board chairman, said the company would continue to look at acquisitions but it would not be rushed, particularly as prices were high.

Ronald van de Krol, Amsterdam.

Shaw Bros 'would drop bid'

Shaw Brothers, the Hong Kong film production and distribution company, is prepared to drop its HK$1.07bn (US$138m) cash bid for TVE, the media and property group if a rival offer from South China Morning Post (Holdings) is accepted by the newspaper group's shareholders. The move appears to signal an end to the contest for control of TVE.

John Ridding, Hong Kong

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COMPANIES AND FINANCE: INTERNATIONAL

Merger heralds new era for Japanese banks

Tokyo Mitsubishi Bank looks like becoming a strong global force, writes Gerard Baker

When, a year ago, two of Japan's leading banks, Mitsubishi and Bank of Tokyo, decided to merge, the biggest problem the nascent company faced was a familiar one of financial protocol for Japanese companies: what should they call the new monolith?

It was an important question for the two managements. The bank they launch today is the largest in the world, with assets of more than Y70,000bn ($658bn).

Unusually for a Japanese financial institution, its large scale is not radically undermined by a fundamental weakness – for the first time, a Japanese bank has a chance of competing on level terms in global markets with its traditionally stronger US rivals.

Mitsubishi was the holder of the older and more venerable name, and the title of the merged company ought to reflect that. But the two banks also had to allay fears among employees and customers of the Bank of Tokyo that their company was about to be swallowed up by a rival.

In the event, the two managements decided on a classic Japanese compromise: not one, but two names. In the Japanese domestic market, the new company will be called Tokyo Mitsubishi Bank – with just the merest hint that Tokyo should be understood in its geographical, rather than its corporate sense. But abroad, the bank is to be more sonorously titled Bank of Tokyo-Mitsubishi, a name that suggests the Mitsubishi moniker was little more than a post-hyphenated afterthought.

It was a messy compromise, like much else that had to be resolved in last year's merger negotiations, but the outcome highlights rather well the prime source of the new bank's strength – the marriage of two different but largely complementary institutions.

Mitsubishi's name is at the heart of the strongest and most extensive industrial grouping or "keiretsu" in Japan, with an extensive customer base and 300 domestic branches. More than 70 per cent of its total profits are earned at home.

Bank of Tokyo, by contrast, with more than 70 offices overseas, is more widely known and respected in international markets. Founded as the country's only specialist foreign exchange bank 50 years ago, it earns more than 60 per cent of its profits from international business.

That neat fit is the key to the new bank's strong prospects. Although its size, like all Japanese banks, is not reflected in its profitability – the two banks have a combined return on equity of just 3 per cent, compared with 15 per cent for leading US banks – it will be without question the leading Japanese lender, and a global contender.

Its asset quality puts it ahead of most of its bad-loan laden rivals. Last week, the two banks were conspicuously absent from the long list of Japanese lenders announcing big losses.

When they publish their last annual results as separate institutions next month for the year ending in March, they will be two of only four banks to record pre-tax profits. That partly reflects sensible public relations. It would not have been auspicious for two merging banks to have reported their first losses just as they came together. The figures also reflect the underlying strength of the two companies' assets.

The new bank will have the lowest proportion of non-performing loans in its loan book among all Japanese banks, at about 3 per cent.

In other respects, too, it has a keen competitive edge over its rivals. In addition to the neat domestic-international split of the two companies' earnings, Bank of Tokyo-Mitsubishi offers an unparalleled range of businesses. It will have a domestic securities subsidiary, founded less than two years ago, to match its extensive range of foreign broking companies. In addition, Mitsubishi has a full-licence trust banking arm, albeit a somewhat troubled one, in Nippon Trust, which will provide valuable access to the country's lucrative pensions market.

"Other banks tend to look rather enviously on the range of businesses they have, which is almost unique," says one manager at a rival bank.

However, it will also have to overcome several hurdles. The difficulty over the choice of name prefigures some of them. The two companies are separated by a wide cultural gulf: Mitsubishi is a fiercely conservative company, while Bank of Tokyo has a reputation for having a more relaxed approach to business.

The usual means of soothing the sensitivities of employees from both sides – maintaining a parallel personnel structure – will be deployed, ensuring that the ghosts of each of the old banks will haunt the corridors of the new, and creating an unwieldy and costly management structure.

An example of the problem is the companies' announcement last week of the new senior management. Bank of Tokyo had 35 directors; Mitsubishi, 36. In a less than imaginative display of rationalisation, the new board will have 69 members.

The chairman will come from Mitsubishi; the president from Bank of Tokyo; then down through the organisation the senior management will form an ever-widening pyramid of deputies, dutifully taken from each side of the bank.

A more serious question mark surrounds the new companies' customer base. Bank of Tokyo, as an independent bank, not tied to any of the big Japanese keiretsu, has always attracted customers from all over Japan's industrial base. Now, it will be part of the Mitsubishi group, and some of its big non-Mitsubishi customers, such as Toyota and Hitachi, may not appreciate the loss of independence.

However, only the bank's most optimistic competitors expect these problems to prove a significant drag on its performance. Most believe that Bank of Tokyo-Mitsubishi could mark a significant departure for Japan's banks, whose size at home has never been matched by great success abroad.

"We have to face up to the fact that this is a new, more competitive era for Japanese banking," says one rival, "and that Tokyo Mitsubishi will lead the way."

If only they could agree on that name.

Bank of Tokyo-Mitsubishi

Tsuneo Wakai, president Mitsubishi; Tasuku Takagaki, president Bank of Tokyo

	Bank of Tokyo	Mitsubishi	New Bank
Assets	¥24,413bn	¥50,260bn	¥74,673bn
Shareholders' equity	¥985bn	¥1,788bn	¥2,773bn
Employees	8,358	15,522	c23,500
Branches/Rep offices			
Japan	36	355	369
Overseas	77	47	84
Non-performing loans	¥546.6	¥827.6bn	N/A
As a % of total loans	4.9	2.0	N/A

Source: Companies

Bid talks continue but hopes fade for Fokker

By Ronald van de Krol in Amsterdam

Receivers at Fokker, the bankrupt Dutch aircraft maker, are talking to potential bidders from Russia, Sweden and South Korea, but the chances that the company can be resurrected as a fully-fledged aircraft manufacturer are fading as former employees find new jobs elsewhere.

In the two weeks since Fokker was declared bankrupt on March 15, talks have taken place with Samsung of South Korea, Saab of Sweden and two Russian aerospace companies, Tupolev and Yakovlev.

Tupolev and Yakovlev have put forward ideas for building aircraft at Fokker's plant near Amsterdam's Schiphol Airport.

But these are still subject to vague "conditions to be fulfilled" and the receivers are unsure whether the Russian talks will lead to a serious proposal or whether they would have the financial means to carry it out.

Mr Joep van den Nieuwenhuyzen, former chairman of Begemann, the Dutch engineering group, has also recently put together a group of unnamed financiers and companies, including some from Asia, to discuss a possible bid for Fokker.

However, Fokker warned yesterday that time was of the essence. "You'd need people to restart production, and the number of people finding jobs at other employers is rising by the day," it said

Fokker said there was no particular hierarchy among the potential bidders, and every serious proposal would be considered.

Officials at the ministry of economic affairs have also underlined that a resurrection of Fokker would be possible only if a bidder came forward quickly, as the company was showing serious signs of "disintegration". This refers in part to the loss of skilled, former Fokker employees to jobs in other sectors.

A skeleton crew of production workers is completing the assembly of 15 aircraft, meaning the receiver will not start selling off assets until at least June.

Before Fokker went bankrupt, Samsung had also considered taking over the Dutch group. In a letter to parliament this week, Mr Hans Wijers, economic affairs minister, confirmed that talks had been held with the South Korean company since bankruptcy was declared, but he added: "Samsung's ultimate strategic intentions are not yet known."

On Saab, he said the Swedish company was interested in strategic alliances with a view to expanding its market and covering its costs, and a partnership with Fokker could be a modest step in that direction.

Mr Wijers also said Saab wanted a wider partnership, possibly including Samsung.

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The importance of stock-picking

Philip Coggan on how Fidelity has adapted its freewheeling style to suit the more staid UK

Fidelity, the US fund management giant, is probably best known for the free-wheeling style of managers such as Peter Lynch and Jeff Vinik of the Magellan mutual fund.

Vinik's idiosyncratic style is such that, last year, he built up a 43 per cent weighting in the volatile technology sector. By the end of January 1996, he had slashed his technology holding to 5.3 per cent and moved heavily into bonds and cash.

Such an approach might seem as an anathema in the more staid British market.

Fidelity's UK operation has been forced to walk a tricky line; emphasising its belief in the importance of stock-picking but in the institutional market, avoiding the volatile results which would flow from an overly aggressive bottom-up style.

This leads to a distinct difference of approach between some managers on the retail side and those on the institutional.

Anthony Bolton – the UK arm's closest equivalent to Jeff Vinik – is a case in point. He has a phenomenal record in charge of the Special Situations and European unit trusts.

At the former, which he has run since its launch in 1979 – a rare feat of longevity for a unit trust manager – he has achieved an annual return of 23.1 per cent. On the European trust, which has been running since 1985, he has managed 23.8 per cent.

Country and sector allocations are well down the list of Bolton's priorities. He looks for the stocks he likes, and worries whether he is too heavily invested in one area later on.

For example, in the European fund at the start of March, he had 17.6 per cent of the portfolio in Norway and only 3.2 per cent in Italy – weightings which diverge substantially from the countries' relative importance in the European index.

Bolton has some limits on his country exposure: he will not have more than 35 per cent of the fund in a major market or more than 20 per cent in a minor market.

"I tend to have a bias towards certain countries, where the companies are run more for the benefit of shareholders" he says, citing Scandinavia as opposed to Italy.

Bolton scarcely follows an index-tracking strategy in his UK funds either. While the Special Situations unit trust is not specifically a small companies fund, Bolton currently owns no Footsie stocks. Despite a year in which smaller companies underperformed the FT-SE 100 index by 1 per cent, the fund is still 9th out of 146 trusts in its sector over the 12 months to March.

Stock picking, especially in the smaller companies sector, requires a lot of effort and this is where the sheer size of Fidelity comes into play.

The group has 140 analysts worldwide and the UK arm prides itself on its company contacts; Bolton cited a recent day in which Fidelity managers and analysts met, or spoke to, 32 corporations.

But the price investors can pay for Bolton's individual approach is volatility. In 1990, the Special Situations fund fell by 28.2 per cent, while the FT-SE-A All-Share was dropping by only 10.9 per cent; in 1991, the European fund rose only 0.8 per cent while the MSCI Europe (ex-UK index) was rising 15.1 per cent.

Bolton: softly spoken

Horlick: avoiding risk

FUND MANAGEMENT

Fidelity's UK operation generally produced some poor investment returns in the 1989-90 period and it was recognised that institutions would want a more structured approach than the retail market.

Richard Horlick, managing director of Fidelity Institutional Asset Management, says that while one might want to be heavily overweight in the US for sound reasons, if a surprise event occurred, the funds would underperform in the short term.

Fidelity's new approach for institutions is designed to take advantage of the group's stock-picking expertise, while dampening down volatility. "Stock-picking drives returns" says Horlick. "Research has shown that, over the past five years, only one fund management has added 1 per cent or more to its returns from asset allocation."

To avoid volatility, the aggregate of an institutional portfolio's 10 largest positions will be no greater than 25 per cent of the group's "active money".

The latter is defined as the difference between a stock's index weight and the actual weight in Fidelity's portfolio.

Say Megacorp has an index weight of 3 per cent but Fidelity has a 5.5 per cent holding; that would represent an active position of 2.5 per cent, so Fidelity could have 10 such overweight positions.

Similarly, the five largest underweight holdings could represent no more than 15 per cent of active money (in the above case, Fidelity could own nothing at all of five Megacorp-sized stocks). Institutional portfolios tend to hold fewer stocks – 80-100 – compared with the 170 which Bolton has in his European funds.

Horlick says the approach has worked, citing returns of about 29-30 per cent for clients on UK pension fund money last year. The funds did well by avoiding British Gas but missed out on the benefits of owning takeover stocks Wellcome and TSB.

In the UK, Fidelity remains fairly small beer in institutional fund management terms, running about £1.2bn of UK money, plus another £1bn of European pensions business. But at least the UK arm is not subjected to the harsh glare of the spotlight, like its US parent.

Every move of Vinik, with the $50bn-plus Magellan portfolio to run, is scrutinised by the US market; even with £631m in the European trust and £567m in Special Situations, the UK fund management business does not emphasise personalities.

The softly-spoken Bolton can keep a low profile.

FACES

Runners and riders (from left): Robson, Dann, Vardey, Wicker-Miurin and Kilsby

Italy's chocolate whizzkid breaks into banking

An intriguing alliance between Italy's leading, some would say only, merchant bank and the country's biggest chocolate maker was sealed last week, when Pietro Ferrero joined the board of Mediobanca, Andrew Hill writes.

Coincidentally, both the chocolate factory and the bank are 50 years old this year, which makes them nearly two decades older than Pietro. Still in his early 30s, he is said to be the youngest ever director of the powerful and secretive Milan-based bank.

Pietro Ferrero is the elder son of Michele Ferrero, who founded the family company. He runs the European operations of Ferrero, which now turns over L7,000bn ($4.4bn) a year and is best known internationally for Ferrero Rocher chocolates and Nutella spread. His brother Giovanni runs operations in the rest of the world.

But ambitious 30-somethings should note that it takes more than youth and wealth to join a board which includes the cream of Italian business and finance.

It helps if, like Ferrero, your company has been for years one of the core shareholders of Mediobanca, and thus a fully paid up member of the "salotto buono" – the fine drawing room of Italy's business elite. But the clinching factor may well be that the Piedmontese confectioner is almost as famously discreet about its business dealings as Mediobanca itself.

Picking up the pieces at BZW after Band

Donald Brydon, deputy chief executive of BZW, the investment banking subsidiary of Barclays Bank, has had a turbulent ride in the last few weeks, George Graham writes.

First he was fingered by Diane Abbott, the Labour MP, as the "leading Luddite" of the London Stock Exchange, the Svengali of a market-makers' cabal responsible for the ousting of Michael Lawrence as the Exchange's chief executive.

Then on Friday he had to step forward as acting chief executive of BZW after the sudden death, at the age of 53, of his close friend David Band.

After teaching economics at Edinburgh University, he spent seven years with the British Airways pension fund before joining what was then known as the Barclays Investment Manager's Office in 1977. From 1989 to 1994 he ran BZW Asset Management, and then stepped up to become deputy chief executive of the whole BZW group.

Brydon's grilling at the House of Commons last month was rough enough. More difficult, on a personal level, will be the task of keeping BZW on course after the shock of Band's death.

"But there are 8,500 people here depending on us to keep managing the firm," Brydon says.

Runners and riders for the City's hottest seat

The odds are shortening on a dark horse to win the race for the post of London Stock Exchange chief executive, arguably the City's most difficult job. The shortlist has been drawn up, Norma Cohen writes.

Among the front-runners is Stephen Robson, deputy director for finance regulation and industry at the UK Treasury. Robson, 52, is well known to the City as the mastermind behind the government's privatisation programmes. Ironically, he is thought to be strongly in favour of some of the stock exchange reforms championed by Michael Lawrence, the previous chief executive sacked in January, which were vigorously opposed by some City factions.

Some board members are privately beginning to question whether the Exchange should be looking for an outsider at all. However, the prevailing City view is that none of the existing executives is a suitable candidate.

Giles Vardey, 40, director of markets development and marketing since December 1992, has been touted for the job but is thought to have alienated some of the City's largest firms. Christine Dann, 47, director of business operations, is described by insiders as "quietly competent" but lacking in leadership qualities. And Fields Wicker-Miurin, 37, is praised for her intellectual skills but as an American, and a former management consultant, she may be too culturally alien to be entrusted the top job.

That leaves Richard Kilsby, 44, since last August the director in charge of supervision and surveillance. He has been generally well received, but is regarded as too new to the job to be a likely successor to Lawrence.

Luzón's productive week

A change of government is always a tricky period for those who hold plum jobs running state-controlled companies but Francisco Luzón, chairman of Spain's Argentaria banking group, has less reason to worry than most, Tom Burns writes. A successful Argentaria share issue last week was a neatly timed personal triumph.

Luzón, 48, is no ordinary political appointee. The son of a shipyard worker, he joined Banco Vizaya as a trainee, rose rapidly to become its chief credit officer and eventually joined the board of the merged Banco Bilbao Vizcaya.

In 1988, the then Socialist finance minister Carlos Solchaga, a friend of early Vizcaya days, asked him to run a clutch of state-controlled banks. Luzón moulded the separate businesses together into the state-owned banking corporation which he called Argentaria and in 1993 he persuaded the government to partially privatise his brainchild.

The odds appeared stacked against successful disposal of the latest $1.1bn, 25 per cent tranche of the banking group's state-owned equity, as Spain's closely-fought general election on March 3 fuelled the volatility of the Madrid market. However, Luzón rose to the challenge of selling a state asset in the midst of an interregnum with his usual zealous attention to detail. He selected the US and UK institutions whose analysis he respected, met them on a one-to-one basis in a punishing road show schedule and obtained the results he wanted. The foreign allocation was 2.4 times oversubscribed, and Luzón claimed stable, high-quality investors had joined Argentaria's shareholding.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / **Peter Martin**

Analysing the economic cycle

A Martian with a working knowledge of financial markets would be able to tell the state of the terrestrial economy from the chart alongside. It contains clear indications of the preparatory stages of a global economic upswing.

The comments of economists, politicians and people-in-the-street are still unenthusiastic. But taken as a whole, stock markets are pointing towards expansion, perhaps with a pinch of inflation. Every industrial sector of the FT/S&P Actuaries World indices gained ground in the first quarter of 1996 (or at least in the period to March 26, which is what is shown in the chart).

GDP Gap

Output gap between GDP and potential GDP

Quarterly change	Rising	Falling
Above zero:		
Equities	8.88	5.17
Bonds	6.45	13.99
Cash	7.03	8.65
Commodities	24.66	25.29
Below Zero:		
Equities	11.61	15.23
Bonds	2.79	12.90
Cash	6.09	7.55
Commodities	5.47	-5.15

Source: Goldman Sachs

Just as striking as that unanimity is the composition of the best- and worst-performing sectors. Defensive sectors are at the bottom, broadly cyclical sectors at the top. The inflation hedges did well, and interest-sensitive stocks did badly.

The picture is not, of course, quite as neat as that. A few classic cyclical sectors – forest products, construction, mining – are near the bottom. This *upswing will have different* characteristics from some of those we have known.

A helpful way of analysing the cycle may be found in recent work by Jeffrey Weingarten and Steve Strongin of Goldman Sachs, published in the investment bank's World Investment Strategy Highlights for March/April 1996 and summarised in the table.

They divide the phases of the cycle into four, depending on the state of the output gap – the extent to which production is smaller or larger than productive capacity. A gap which is "above zero" indicates production above its sustainable level, implying a boom which will sooner or later lead to inflation. Restrictive policy steps by the central bank will follow which will eventually tip the cycle towards contrac*tion, and a gap which is "below* zero".

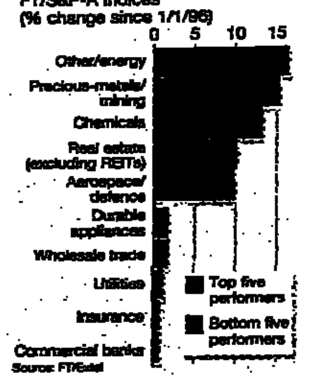
From the markets' point of view, the direction the gap moves is just as important as how big it is. An above-zero gap which is rising implies an accelerating expansion; one which is falling implies that contractionary policies are in place and production will slow. A below-zero gap which is falling implies a worsening slowdown; one which is rising implies the upswing is under way. The figures in the table are the average quarterly returns for four broad asset classes in each of these four phases, measured over 22 years to 1994. Thus, in all above-zero/rising quarters in that period, the average return on world equities was 8.8 per cent.

"Financial assets such as global equities are primarily *anticipatory*," writes Mr Weingarten, "doing better when things are worst and the prospect for improvement the highest." Equities thus do best in the lower right cell, and decline as you move clockwise. Commodities follow the same pattern in reverse, "with returns related not to anticipation of improvement but to the actual level of activity."

Mr Weingarten believes the world as a whole is "bottom right moving to bottom left", though the US and UK may be on the verge of moving from bottom left to top left. On this view, equities still have some way to go; bonds are topping out; and commodities have yet to begin their phase of spectacular price appreciation.

Leaders & laggards

FT/S&P-A indices (% change since 1/1/96)



Source: FT/Extel

Total return in local currency to 28/3/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.06	0.08	0.19	0.11
Month	0.44	0.07	0.28	0.35	0.83	0.53
Year	6.69	1.94	5.31	7.52	11.80	7.69
Bonds 3-5 year						
Week	-0.46	0.07	0.17	0.57	-0.59	-0.41
Month	-1.48	1.28	0.75	0.80	-0.11	-0.50
Year	8.89	6.32	11.59	14.59	20.49	11.31
Bonds 7-10 year						
Week	-0.76	0.24	0.28	0.78	-0.98	-0.73
Month	-2.12	1.62	0.72	1.38	-0.18	-0.88
Year	10.86	8.37	12.39	17.31	26.20	11.62
Equities						
Week	-0.1	2.0	0.2	2.2	-2.6	-0.6
Month	0.6	5.1	1.7	1.7	-5.4	-1.0
Year	31.9	23.6	31.3	16.2	-3.7	22.5

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

From an investor's point of view, the question is not just where we are in the predictable pattern, but also how this cycle differs from the usual one. The debate revolves around the extent to which inflation may be expected to be more subdued in this cycle than previously. The consensus among economists is now clearly that worldwide disinflationary pressures are strong enough to prevent any rapid acceleration of prices.

The financial markets partly share this view. Yet the strong performance of inflation-hedge stocks worldwide in the last quarter and the relatively poor performance of interest-rate sensitive sectors, implies that markets are not entirely relaxed about the inflationary outlook.

These concerns may indicate that we are moving into a period of relative underperformance by bonds. They are not enough, however, to suggest a sudden move towards monetary restriction. The visiting Martian would find clear signs that markets foresee a recovery from the recent economic pause. He would not be able to detect, as yet, any real worries about just how long that phase can be expected to continue.

COMPANY RESULTS DUE

All-round lift expected at Belgian combine

■ **Société Générale de Belgique:** The Belgian conglomerate is today expected to announce 1995 net profits before exceptional items of between BFr10.1bn and BFr10.8bn ($333m-$356m), compared with BFr9.05bn a year earlier. However, the results will be accompanied by a number of exceptional items. KB Securities forecast a BFr10.4bn net profit before exceptional items, which would include BFr1bn as SGB's share of Union Minière's BFr2.2bn restructuring charges plus some gains. Exceptional gains at Tractebel have fallen to BFr600m, from BFr1.1bn, and SGB's share of this will amount to BFr167m, according to KB Securities. Generale de Banque reported an extraordinary loss of BFr800m, giving a BFr234m cost to SGB in exceptional charges, said KB Securities. The rise in pre-exceptional results was mainly due to stronger profit contributions at this level from Union Minière, Tractebel, Generale de Banque and Fortis. Net dividend per share is seen rising to between BFr85 and BFr90. *AFX News, Brussels*

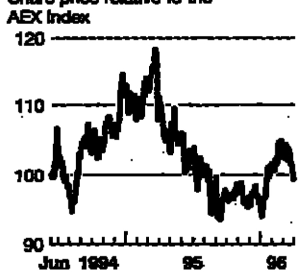
■ **Burmah Castrol:** The lubricants, chemicals and fuels group is today expected to announce net income after tax and minorities but before exceptionals of £130m, up from £115m in 1994. Exceptionals will include profits from the sale of its UK petrol retailing business to Frost Group last September. Pre-tax profits are expected to rise from £219m to £252m. Analysts will be looking for continued growth in Asia and for the group's outlook on the market for its speciality chemicals division.

■ **Highland Distilleries:** The maker of Famous Grouse Scotch whisky, is tomorrow expected to report flat interim pre-tax profits of around £24m. An uptick of about 10 per cent in operating profit to around £15m will be undermined by a sharp drop in interest income. Investors will be keen to hear about the impact of competing brands' UK television advertising, the state of prices and volumes and the progress of its latest diversification – Gloag's gin.

■ **KPN:** The Dutch telecoms and postal group reports full-year results on Wednesday, *reports AFX News from Amsterdam*. Analysts expect net profits of between Fl 2.24bn and Fl 2.26bn ($1.4bn), or Fl 4.85 to Fl 4.90 per share, compared with Fl 2.035bn or Fl 4.42 per share in 1994. The group is expected to raise its dividend to between Fl 2.53 and Fl 2.65 from Fl 2.30. Analysts said most of KPN's 1995 profit growth would be the result of increased volume in its basic telephone and postal businesses. One broker expected most volume growth in KPN's telecoms business, where strongest growth would be in fixed-line telephony. Increased international calling volume would compensate for a slight erosion in prices, they added. Another expected KPN's gross operating margin to increase by 0.3 percentage points to 19.4 per cent, with post as well as telecoms contributing to the improvement. Analysts said KPN's telecoms arm, PTT Telecom, had probably received a boost in its mobile telephone business from the arrival of a competing GSM network by the Libertel consortium of ING, Vodafone Group of the UK, Vendex International and Internatio-Mueller. The GSM market has grown tremendously, largely thanks to Libertel's extensive media campaign. PTT Telecom's GSM subscriptions rose to 500,000 by end-1995 from 321,000 a year earlier. KPN's other activities will likely show start-up losses on its recent cable acquisitions in the UK and France, and the group's participation in Czech telecoms company SPT will result in higher financing charges and goodwill payments.

KPN

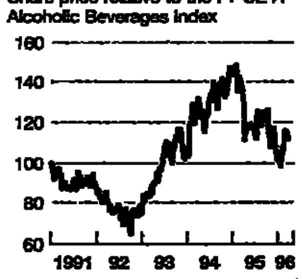
Share price relative to the AEX Index



Source: FT Extel

Highland Distilleries

Share price relative to the FT-SE-A Alcoholic Beverages Index



Source: FT Extel

■ **Tarmac:** Tomorrow's results are the first since February's asset swap with George Wimpey, which saw the exchange of Tarmac's housebuilding division for Wimpey's construction and building materials operations. At the time, Tarmac said it would report pre-tax profits for 1995 of at least £65m (against £107.2m) after a £30m contract provision. Although it suffered in housebuilding along with the rest of the industry, the continued activities are expected to have shown strong improvements, helped by a recovery in prices in quarry products and building materials. Total dividends are expected to be unchanged at 5.5p.

■ **Hewden Stuart:** The UK's largest independent plant hire firm is expected to announce a modest improvement in pre-tax profits on Wednesday, despite a weaker second half. Annual pre-tax profits are forecast to be £37m-£38m, up from £34.8m. At the interim stage the group admitted that it was starting to feel the weakness of the construction sector. Analysts will be particularly keen to find out if hire rates have fallen significantly in the second half.

■ **Laird Group:** The motor components and building products manufacturer is expected to unveil a sharp increase in full-year profits on Wednesday despite volatile demand from European carmakers. Pre-tax profits are expected to rise from £47.7m to £70m-£72m following increased contributions from the non-automotive side, including security systems and plastics.

■ **McKechnie:** The plastics and metal components group is forecast to lift its first-half pre-tax profits from £20.2m to around £22m when it reports on Wednesday. Analysts are expecting steady progress across the group, with a much improved performance in New Zealand. This is also the first chance to question the company on its £32.7m acquisition in January of Thompson International of the US, the wheel trim supplier.

INTERNATIONAL EQUITIES By Antonia Sharpe

Aid for supply-demand imbalance

By Antonia Sharpe

Being asked to invest billions of dollars in fledgling stock markets sounds like lots of fun. But the task is proving to be a nightmare for emerging market fund managers because there just are not enough stocks to go round.

Since the start of the year, the primary equity market has been awash with cash as investors reduce their exposure to mature markets.

US mutual funds have been one of the main providers, with some $6.7bn assigned to funds with international or global mandates in January, and $4.4bn in February, the highest levels seen since January 1994 when the monthly flow stood at $7.5bn. A large portion have been allocated to emerging markets which are expected to generate greater returns than established markets this year.

Such levels of liquidity have guaranteed instant success for the recent batch of international equity offerings from emerging markets in Europe and the Middle East.

Demand for shares in OTE, the Greek telecoms company which was partially privatised last week, was such that the entire Dr96bn ($388m) transaction could have been sold abroad. However, international investors will probably have to be content with about $150m worth of stock.

The first international equity offering from Croatia, by the pharmaceutical group Pliva, also attracted overwhelming demand. Its $90m offering of Global Depositary Receipts was 20 times subscribed, although this reflected inflated orders by investors desperate to obtain a decent amount of shares. The GDRs, which were priced at $18.72, jumped to $29 when they started trading in London on Friday.

Even the new kid on the block – Morocco – was seized on. A $50m GDR offering by Banque Marocaine du Commerce Exterieur, the country's second-largest bank, was nearly five times subscribed. As a result, the GDRs are widely expected to be priced at the top end of the $11.30 to $12.70 price range.

The seemingly insatiable appetite for emerging market offerings should bode well for other deals from eastern and southern Europe and the Middle East scheduled to come to market this year.

Bankers involved in such transactions say international investors are particularly interested in these regions because of their strong economic growth and their links with the European Union. In the case of Morocco, BMCE's GDR was the first opportunity for many emerging market fund managers to invest in the country. They are also attracted because as yet they have no correlation with the better-known but more volatile emerging markets in Latin America and Asia.

Although investors have been frustrated by their meagre allocations in recent deals, offerings in the pipeline should help correct the chronic supply-demand imbalance. They include further sell-offs in Portugal's telecom and cement companies and the privatisation of Poland's state copper producer, Polska Miedz.

The Polish government is considering selling about 15 per cent of the equity in the form of GDRs to international investors. However, this $300m offering is unlikely to emerge before the summer.

BMCE has opened up North Africa and the Middle East to international investors – Egypt's Commercial International Bank is contemplating a GDR offering. It has paved the way for the Moroccan government to sell privatisation bonds, which are convertible into equity in state companies, to international investors.

This year's deals should also have positive long-term implications for the emerging markets themselves because they will become more accessible to foreign investors.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MARCH 29 1996 US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY MARCH 28 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	198.45	5.0	193.71	134.65	153.09	185.67	-0.2	4.10	200.18	194.84	134.66	153.83	170.10	202.74	158.03	158.93
Austria (24)	182.58	4.8	177.33	123.26	140.14	138.98	7.8	1.55	183.58	178.69	123.50	141.07	140.91	199.26	165.11	165.63
Belgium (53)	204.91	-2.0	199.01	138.35	157.28	153.21	1.0	4.07	204.99	199.52	137.90	157.52	153.58	215.81	177.94	179.65
Brazil (28)	153.90	11.6	149.48	103.90	118.13	279.81	13.4	1.57	154.42	150.30	103.88	118.66	280.72	170.25	108.08	117.84
Canada (101)	156.44	5.4	151.94	105.61	120.08	154.35	5.3	2.44	157.02	152.83	105.63	120.66	155.01	158.71	132.37	133.79
Denmark (33)	296.74	2.6	288.20	200.33	227.76	229.99	5.7	1.81	294.01	286.16	197.79	225.93	228.21	305.17	252.41	253.23
Finland (24)	180.90	-3.3	175.70	122.13	138.85	175.93	3.2	2.80	179.74	174.94	120.91	138.12	175.03	276.11	171.13	171.13
France (96)	194.59	8.5	188.99	131.36	149.36	153.69	11.7	3.10	192.07	186.94	129.21	147.59	152.03	194.59	167.70	177.91
Germany (60)	173.06	5.7	168.08	116.83	132.83	132.83	9.1	1.96	174.10	169.46	117.12	133.79	133.79	174.38	142.25	145.56
Hong Kong (59)	432.18	11.5	419.75	291.76	331.72	429.07	11.5	3.24	434.39	422.80	292.22	333.80	431.21	451.19	323.87	352.34
Ireland (16)	265.40	3.9	257.77	179.17	203.71	237.39	5.7	3.41	262.34	255.34	176.48	201.59	236.43	265.40	211.14	211.14
Italy (58)	72.17	-2.1	70.10	48.72	55.40	84.61	-3.1	2.14	71.21	69.31	47.90	54.72	83.61	82.71	67.09	68.90
Japan (482)	154.61	-0.2	150.16	104.37	118.67	104.37	3.3	0.73	153.67	149.57	103.38	118.09	103.38	164.82	137.75	150.01
Malaysia (107)	553.30	14.1	537.38	373.53	424.69	538.81	13.6	1.61	550.25	535.56	370.17	422.83	537.91	561.96	425.77	493.39
Mexico (18)	1199.32	15.8	1164.83	809.66	920.55	9887.87	13.3	1.41	1199.67	1167.65	807.05	921.88	9902.99	1237.14	791.99	833.66
Netherland (19)	287.17	5.3	278.91	193.87	220.42	216.59	8.6	3.21	285.43	277.82	192.02	219.34	215.49	287.17	233.17	234.48
New Zealand (15)	83.44	4.6	81.04	56.33	64.05	66.05	0.6	4.23	81.99	79.80	55.15	63.00	64.24	85.49	74.86	74.86
Norway (33)	236.50	2.3	229.70	159.66	181.53	205.86	3.8	2.42	236.74	230.42	159.26	181.92	206.42	243.79	206.13	207.93
Singapore (44)	440.83	8.2	428.15	297.60	338.36	285.93	7.7	1.40	438.96	427.26	295.31	337.33	285.01	465.21	355.81	361.31
South Africa (45)	386.46	0.3	375.34	260.90	296.63	336.04	8.4	2.51	382.52	372.31	257.33	293.94	334.79	437.76	333.22	333.66
Spain (37)	171.81	4.0	166.87	115.99	131.88	161.56	6.4	3.40	170.54	165.99	114.73	131.05	160.71	175.88	125.91	125.91
Sweden (46)	343.64	10.1	333.76	231.99	263.76	340.01	11.0	2.44	346.65	337.40	233.20	266.38	341.54	352.28	232.23	232.23
Switzerland (39)	250.26	6.0	243.06	168.95	192.09	184.69	8.7	1.54	249.64	242.97	167.94	191.83	184.68	252.34	177.97	180.91
Thailand (46)	178.85	6.3	173.70	120.74	137.28	175.13	6.5	1.88	177.06	172.35	119.12	136.07	173.43	193.95	134.53	143.06
United Kingdom (205)	228.92	-0.7	222.34	154.54	175.71	222.34	1.0	4.11	226.87	220.82	152.62	174.34	220.82	235.50	205.26	205.27
USA (631)	263.53	4.9	255.95	177.91	202.28	263.53	4.9	2.19	264.77	257.70	178.11	203.46	264.77	269.11	204.49	205.56
Americas (778)	240.53	5.0	233.61	162.38	184.62	202.16	5.0	2.19	241.63	235.19	162.55	185.68	203.10	245.54	187.12	188.09
Europe (726)	207.12	3.1	201.17	139.83	158.98	179.19	5.5	3.06	206.01	200.51	138.59	158.30	178.51	207.12	175.51	176.17
Nordic (136)	292.72	6.1	284.31	197.62	224.68	252.90	8.2	2.37	293.59	285.76	197.51	225.61	253.16	297.48	222.22	222.22
Pacific Basin (834)	167.72	1.5	162.89	113.22	128.73	115.92	4.1	1.16	166.91	162.46	112.28	128.26	115.05	171.87	148.86	158.26
Euro-Pacific (1560)	184.03	2.2	178.74	124.24	141.25	139.95	4.7	2.05	183.10	178.21	123.17	140.70	139.14	184.03	163.92	165.63
North America (732)	256.91	4.9	249.52	173.44	197.19	256.22	4.9	2.20	258.10	251.21	173.63	198.34	257.41	262.26	200.12	201.11
Europe Ex. UK (521)	189.97	5.3	184.51	128.25	145.81	153.98	8.0	2.50	189.31	184.26	127.35	145.47	153.64	189.97	155.95	158.89
Pacific Ex. Japan (352)	289.44	9.4	281.11	195.40	222.16	251.04	7.7	2.94	289.56	281.83	194.79	222.51	251.36	293.58	235.64	239.56
World Ex. US (1752)	185.27	2.4	179.94	125.08	142.21	144.15	5.0	2.06	184.37	179.45	124.03	141.68	143.37	185.27	164.41	165.99
World Ex. UK (2178)	207.30	3.9	201.34	139.95	159.12	174.08	5.3	1.93	207.29	201.76	139.45	159.29	173.98	207.64	173.77	175.21
World Ex. Japan (1901)	239.67	4.6	232.78	161.80	183.96	225.81	5.5	2.54	239.85	233.45	161.35	184.31	226.14	242.17	193.88	194.38
The World Index (2383)	209.27	3.5	203.25	141.28	160.63	178.52	4.9	2.12	209.10	203.52	140.67	160.68	178.33	209.73	178.58	177.84

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 129.32 (Local). Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 184.07 (Pound Sterling) and 149.94 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 29/3/96: Additions: Fletcher Energy (Medium-Small Cap), Fletcher Building (Medium-Small Cap) and Fletcher Paper (Large Cap) (all New Zealand). Deletion: Fletcher Challenge (New Zealand). Name change: UJB Financial to Summit Bancorp (USA). CONSTITUENT CHANGES WITH EFFECT 1/4/96: Deletion: Bank of Tokyo (Japan). Name change: Mitsubishi Bank to Bank of Tokyo/Mitsubishi Ltd. (Japan). CONSTITUENT CHANGE WITH EFFECT 9/4/96: Addition: Boehler-Uddeholm (Medium-Small Cap) (Austria).

The GPA Success Story

All of these Securities having been sold, this announcement appears as a matter of record only.

$4,048,000,000

AIRPLANES

Airplanes Pass Through Trust

Pass Through Certificates

Certificates	Principal Amount
Subclass A-1	$850,000,000
Subclass A-2	$750,000,000
Subclass A-3	$500,000,000
Subclass A-4	$200,000,000
Subclass A-5	$598,000,000
Class B	$375,000,000

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FIRST CHICAGO CAPITAL MARKETS, INC. — *KREDIETBANK AEROSPACE FINANCE*
MITSUBISHI TRUST INTERNATIONAL LIMITED — *NATWEST MARKETS*
PARIBAS CAPITAL MARKETS — *SCHRODER WERTHEIM & CO. INCORPORATED*
SCOTIA CAPITAL MARKETS — *SOCIETE GENERALE* — *SBC WARBURG*
A DIVISION OF SWISS BANK CORPORATION

Certificates	Principal Amount
Class C	$375,000,000
Class D	$400,000,000

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GPA Group plc

completed a refinancing including:

- Obtaining approval for a maturity extension of $2 billion of Core Facility Bank Debt
- Obtaining approval from holders of Core Facility Bank Debt and the Secured Notes to implement the refinancing through Airplanes Group
- Restructuring of GPA's new aircraft purchase obligations
- Raising $4.05 billion proceeds from the sale of Airplanes Group Certificates
- Repayment of $2.9 billion of Core Facility Bank Debt, Secured Notes and other secured debt

The undersigned acted as financial advisor to GPA Group plc with respect to the refinancing.

MORGAN STANLEY & CO.
Incorporated

March, 1996

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MARKETS: This Week

NEW YORK By Richard Waters

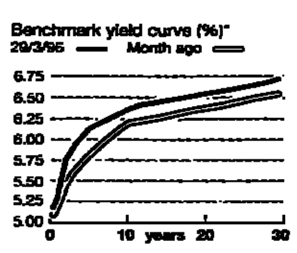
The news which is likely to have the biggest impact on the direction of US financial markets this week will come on a day when many traders are not there to see it.

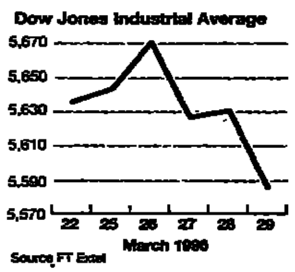
Employment figures for March will be released on Friday morning, when bond desks will be sparsely populated ahead of the Easter weekend and the stock market closed altogether.

The bloodbath that accompanied February's employment report is still fresh in the mind. That gives the March data added importance, as the markets look for clearer evidence about whether the 705,000 new jobs in February were merely a rebound from an earlier weather-related slowdown, or a symptom of a more robust pick-up in economic activity.

A strike at General Motors resulted in a likely decline of around 35,000 manufacturing jobs in February, according to economists surveyed by MMS International.

However, the same economists expect overall payroll growth to have been around 75,000, while the unemployment rate is predicted to have risen from 5.5 per cent to 5.6 per cent. That will leave average job growth at around 200,000 in each of the first three months – a higher rate than in each of the previous three quarters.





The stock market, for its part, would take as little comfort from faster growth as the bond market. An interest rate cut – reducing companies' costs and rekindling consumer spending – has been the main hope for a further rise in share prices.

Meanwhile, after four years, the cyclical earnings rebound among US companies is finally running out of steam. That is likely to be confirmed in first-quarter figures, which will begin to seep out after the end of this week.

LONDON By Philip Coggan

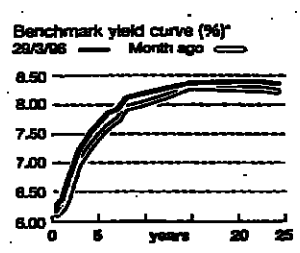
UK equities recovered some spirit towards the end of last week as news of the renewed talks between British Telecommunications and Cable and Wireless allowed the market one of its speculative binges.

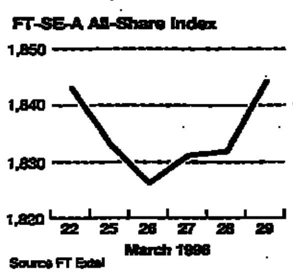
Old takeover stories such as Zeneca were revived, and volume soared, with more than 1bn shares traded on Thursday in customer-related business worth nearly £3bn.

Traders will be hoping that this week provides some hard facts to keep the pot boiling, particularly in the form of a more definitive announcement from the two telecoms groups.

Equities seem in better shape than gilts, with the yield on the benchmark 10-year issue reaching a high for the year of 8.21 per cent on Thursday, despite the success of last week's £3bn gilts auction. The implications of the mad cow disease scare on the public sector borrowing requirement and the trade deficit are still far from clear.

With few UK economic statistics due this week, market focus will once again be across the Atlantic, where the non-farm payroll numbers for March will be published. By that stage, however, the UK markets will be closed for Good Friday and traders will accordingly be doubly nervous about taking big positions ahead of the Easter holidays.





The February payroll number alarmed the US bond market by implying that economic growth was rebounding strongly. Neither UK bonds nor equities will be able to make much progress until it is clear whether the US has reached the bottom of the interest rate cycle.

After several recent rounds of rate cuts, few in the market are expecting Wednesday's meeting between the governor of the Bank of England and the chancellor of the exchequer to result in a further reduction.

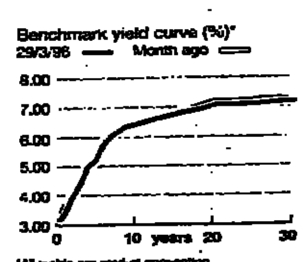
FRANKFURT By Andrew Fisher

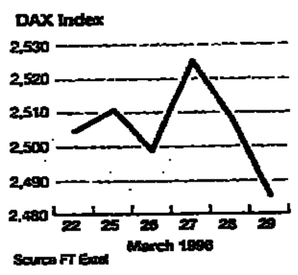
News emerged late last week to give the German bond and equity markets an encouraging start to the short pre-Easter week. Chemical workers accepted a moderate 2 per cent wage rise and more working flexibility in return for job security. Textile workers have already settled for 1.5 per cent.

The Bundesbank has made clear its own monetary policies can only work if wage negotiators keep pay rises down and the government brings the budget under control. So hope for lower interest rates at a time of economic sluggishness has been enhanced by the chemical industry deal.

Even so, an obstacle remains in the shape of rapid growth in money supply, even though this can be explained by special factors and statistical distortions. Thus the Bundesbank took no action at last Thursday's council meeting, the next opportunity being mid-April.

If the Bundesbank is to cut short-term rates again, M3's expansion must slow considerably, said Mr Joerg Henzler, Frankfurt economist at Industrial Bank of Japan. But he added that the "rather promising start" to the pay round could improve business sentiment and support lower interest rates. Both were important for a rebound of business activity.





IBJ is optimistic on the overall outcome of the pay round, expecting increases of about 2 per cent. This would reinforce recent stock market strength, although the current week is likely to be one of consolidation.

Both Dresdner Bank and BMW will report 1995 results. Shares to watch include Volkswagen, which slumped on Friday on disappointment at its figures, and Gehe (pharmaceuticals distribution) which rose sharply on its 1995 performance.

TOKYO By Emiko Terazono

Fund allocations for the new fiscal year by domestic institutions are expected to support the markets this week.

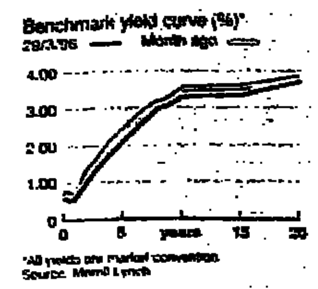
The stock market saw a rush of new money last week as institutions joined in buying cyclical blue chips, including steels and shipbuilders. Traders expect purchases of shipping and export sectors to rise, due to the yen's decline.

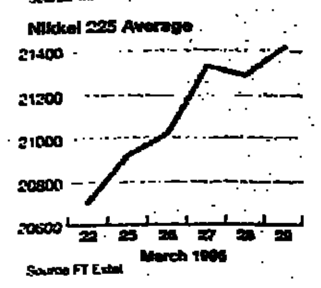
Participants expect a rise in pension fund money to flow into the stock market due to a shift in fund management appointments from life insurers to investment advisory and management companies.

Corporate and state-owned pension funds have started to look for higher returns on their investments and the recent deregulation of pension fund management rules has prompted a greater amount of funds to be allocated to investment management companies, which mostly invest in stocks and other equity-linked investments.

The banking sector, however, is likely to suffer from the effects of the liquidation of Taiheiyo Bank. Investors may be discouraged by the move by Sakura, Fuji, Tokai and Sanwa to contribute to the regional bank's liquidation.

While the bond market may also see an inflow of funds, the amount is likely to be limited. "Many fund managers see that there is more upside potential in stocks," says an analyst at JP Morgan in Tokyo.





Activity in the new repo market is expected to start this week. The new market, which will require bond borrowers to put in cash collateral for the full value of the bond, will reduce the risks of borrowing and lending bonds. However, most market participants expect trading to remain slow at first.

COMMODITIES By Richard Mooney

Cocoa rally in the balance

Cocoa traders, having seen their market roused from its slumbers last week, will be looking anxiously this week to see if it can consolidate the gains, or perhaps move on to challenge long-term highs.

A $93 gain on the week left the May futures position on the London Commodity Exchange at $986 a tonne, and some analysts told the Reuters news agency that the market was eyeing $1,000 for May. There was also a feeling, however, that a technical "correction" was needed to fill gaps in price charts left by last week's steep rise before a whole-hearted challenge of overhead resistance could be mounted.

A key factor will be the appearance or continued absence of substantial selling by producers. So far they have stayed on the sidelines, reluctant to do anything to damage what they see as a long-overdue rally. But if the momentum of the rise appears to be faltering or the correction predicted by the analysts materialises the temptation to cash in while the higher levels last may become too strong to resist. Producer selling at that stage could once again establish a perceived "ceiling" over the market that might subsequently prove difficult to break through.

● Events this week include Metal Bulletin's second Indian Metals Conference, which began in New Delhi yesterday and concludes tomorrow. Speakers will address the broad headings of supply/demand outlook, investment opportunities, and the changes to current infrastructure, such as transport and energy, needed to accommodate expected growth. Another Metal Bulletin conference, on bauxite and alumina, begins in Miami today and continues tomorrow.

In Los Cabos, Mexico, the World Gold and Silver Institutes are holding their annual meetings and associated conferences. The three-day event began yesterday.

Today sees the start in Singapore of the two-day Asia Edible Oil Markets '96 conference. Representatives of producers and trading companies will be giving papers on supply/demand prospects, quality control and the industry's expansion prospects in the region.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Ahold (Netherlands)	Stop & Shop (US)	Retailing	$2.9bn	KKR sells out
Imatran Voima (Finland)	Gullspangs Kraft (Sweden)	Power	$467m	Aga sells stake
Medtronic (US)	InStent (Israel)	Medical equipment	$200m	Specialist buy
Coeur d'Alene Mines (US)	Gasgoyne Gold Mines (Australia)	Mining	$130m	Offer raised
Escorts (India)/Yamaha Motor (Japan)	Escorts Yamaha Motor (JV)	Motorcycles	$61m	Manufacturing venture
Norsk Hydro (Norway)	Uno-X (Sweden)	Petrol stations	$36.5m	Burmah Castrol disposal
Cedar (Canada)	McConnell Dowell (Australia)	Engineering	$30m	Buying majority
Williams (UK)	Folger Adams (US)	Security products	$14.5m	Chapter 11 buy
Williams (UK)	Corni Serrature	Security products	$8.2m	Needs approvals

THE TABLE IS NOW DENOMINATED IN US DOLLARS

OTHER MARKETS Compiled by Michael Morgan

PARIS

The equity market has been enjoying a good run, with the CAC-40 index again breaching the 2,000 level and looking likely this time to hold it, *writes John Pitt.*

Sentiment was helped last week by some good corporate results, as well as firm evidence that the new boss of Alcatel Alsthom, Mr Serge Tchuruk, was taking tough measures to solve the endemic problems at the telecoms and engineering group. The market will be now be turning its attention in search of direction to Suez, another conglomerate, which is due to announce 1995 results on April 9.

Technical analysts say the CAC-40 index is well positioned to break out of its current trading range, and should be able to hold itself above the 2,030 mark. But, as Morgan Stanley said last week, the French equity market has been trapped in a volatile trading range for a couple of years.

"For the moment," says Morgan Stanley, "it is difficult to see what will shake the market out of the 1,700 to 2,000 tunnel. What may be needed is a change of wind, before it is plain sailing."

JOHANNESBURG

The turmoil sparked by last Thursday's appointment of Mr Trevor Manuel as finance minister, the first to be drawn from the ranks of the African National Congress, will be followed by a period of consolidation in the markets this week, *writes Mark Ashurst.*

"We have previously had independent finance ministers appointed primarily to reassure the business community," noted one economist. "The market wants to know if the appointment of a politician means there will be pressure on the Reserve Bank to lower interest rates. But this week will be too early to tell."

Analysts said they would watch Anglo American shares, which rose on Friday amid rumours that a UK institution was buying into the multinational. The rand, which stabilised on Friday in the wake of the announcement, could strengthen if gold shows further signs of recovery.

Custom dictates that the Johannesburg markets will follow Wall Street, where there are signs of volatility ahead of poor corporate results for the first quarter. But the Easter break will dampen the impact of single-digit company earnings growth in the US, and many local brokers will be on holiday from Wednesday.

HONG KONG

The stock market, which closed lower on Friday following last week's unexciting corporate results, is in for a quieter week ahead of the Easter holidays, *writes Louise Lucas.*

Attention today will focus on property developers, following Friday's announcement that the tender to develop a prestigious site in the prime business and shopping district had been awarded. The project, estimated to cost more than HK$40bn, has gone to a consortium comprising Sun Hung Kai Properties, Henderson Land Development, the Hong Kong and China Gas Company, and Bank of China Group.

A number of smaller companies report earnings this week, and tomorrow Peregrine Investments, the pan-Asian investment banking group, will unveil finals.

BRADY BONDS

Brady bonds ended last week more or less where they began, with the WMB secondary market debt price index standing at 134.55 shortly before the London close, down 0.2 per cent, *writes Richard Lapper.*

Signs at the IDB meeting in Buenos Aires that the rift between President Carlos Menem, the Argentine president, and Mr Domingo Cavallo, the economy minister, is being repaired had buoyed sentiment earlier in the week.

This week, activity is expected to be slack ahead of the Easter holidays and publication on Good Friday of US non-farm payroll data.

CURRENCIES By Philip Gawith

Traders set to mark time ahead of US jobs report

With only four trading days ahead of Easter, the chances of a busy week on the foreign exchanges would appear slim.

Most attention will be focused on the release of the US payroll report on Friday, following the freakish February number which spooked asset markets. But with most markets closed on that day, it may only be in the following week that a proper response becomes evident.

If the pattern of recent weeks were to be continued, then the dollar would be likely to take its lead from the performance of the US asset markets. These in turn would probably respond well to a weak payroll report that did not raise fears of inflation.

On the other hand, the dollar did hold up surprisingly well to the February report, despite the turbulence in bond and equity markets.

Arguably more important for the dollar will be the asset allocation decisions of Japanese fund managers for the second quarter. Many bullish dollar forecasts are predicated on Japanese buying of US assets.

The G7 meeting in Lille, to discuss job creation, has the potential to produce some market turbulence. The past week saw an upsurge in euro-enthusiasm, but with manufacturing activity in Europe at a low ebb, the prospects of European economies meeting the Maastricht convergence criteria become ever more difficult.

"Bad news" on the single currency project tends to boost the D-Mark (because many investors respond to uncertainty by buying D-Marks as a "safe-haven" currency).

In the UK, the monthly monetary meeting is not expected to produce a cut in interest rates. The government's political position is precarious, but most of the bad news appears already to be in the price.

The Italian lira is likely to come increasingly into the spotlight as the April 21 election draws near, with opinion polls continuing to indicate that the result may be very close. Any such result, which may be inimical to the sort of firm government markets cherish, is likely to result in pressure on the currency.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, March 29, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7260.88	4750.00	3217.29	4447.57
Albania	(Lek)	151.582	99.3000	67.2582	92.9775
Algeria	(Dinar)	81.6452	53.4852	36.2268	50.0798
Andorra	(French Fr)	7.6860	5.0350	3.4103	4.7144
[illegible]					

		£ STG	US $	D-MARK	YEN (X 100)
Greece	(Drachma)	367.543	240.775	163.083	225.445
Greenland	(Danish Krone)	8.6989	5.8986	3.8598	5.3358
Grenada	(E Carib $)	4.1216	2.7000	1.8288	2.5281
Guadeloupe	(Local Fr)	7.6860	5.0350	3.4103	4.7144
[illegible]					

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	52.6422	34.4855	23.3578	32.2898
Panama	(Balboa)	1.5265	1	0.6773	0.9363
Papua New Guinea	(Kina)	2.0208	1.3237	0.8966	1.2394
Paraguay	(Guarani)	3068.27	2010.00	1361.42	1882.02
[illegible]					

Special Drawing Rights March 29, 1996 [illegible]

Abbreviations: [illegible]

MARKETS: This Week

INTERNATIONAL BONDS By Samer Iskandar

Dollar maintains dominance in record quarter

International bond issuance reached record levels in the first quarter of 1996, boosted by very favourable market sentiment and encouraging conditions for emerging markets borrowers.

According to data from Euromoney Bondware, bonds worth the equivalent of $185.2bn were issued between January 1 and March 29 1996, up 73 per cent on the amount raised during the first quarter of 1995.

The dominance of the US dollar as the favourite issuing currency was confirmed. With 279 issues totalling $65.6bn, up from $37.2bn, the dollar's share of the international market came out at 35.5 per cent.

Meanwhile, the popularity of the D-Mark continued to increase, with issuance rising from $16.8bn to the equivalent of $42.1bn. The German currency's share of the international market rose to more than 23 per cent, from 15.7 per cent in the first quarter of 1995.

Market participants attribute this trend mainly to the fall from grace of the Ecu, due to the continuing uncertainty over the timing and modalities of European monetary union.

Total Ecu issuance was $1.6bn, down from $3bn in last year's first quarter, with the European currency's market share falling to a mere 0.84 per cent, from 2.8 per cent.

Amounts issued in sterling and French francs more than doubled to $14.3bn and $11.5bn, giving these two currencies respective market shares of 7.7 per cent and 6.2 per cent.

Strong demand for short and medium-term paper in sterling biased supply towards the five-year area of the yield curve.

Issuance in Japanese yen rose to $13.9bn, compared with $12.2bn in the first quarter of 1995. Many of the yen-denominated deals were much smaller than last year, however, with 290 transactions averaging the equivalent of $47.8m in size, compared with 121 deals and an average of $100.5m last year.

Yen-denominated deals also accounted for a smaller proportion of the total – 7.5 per cent against 11.4 per cent in the same period of 1995.

Issuance in Swiss francs rose to $8.7bn, compared with $7.1bn, but there was less issuance overall in the Italian lira, Portuguese escudo and Luxembourg franc sectors.

Exotic sectors were also tapped – some for the first time ever – by international borrowers during the past three months. The Greek drachma, Czech koruna and South African rand sectors, which had seen no demand whatsoever in the first quarter of 1995, have been accessed since the beginning of 1996.

However, the level of future interest in these markets by foreign borrowers remains uncertain.

"Issuance [in these currencies] was mainly arbitrage-driven, as borrowers were attracted by favourable swap opportunities," said Mr Andrew Pisker, head of new issues at Lehman Brothers.

The South African rand, for example, was made popular by the conjunction of bullish expectations on the currency, which attracted investors, and particularly advantageous swap rates for issuers.

The likelihood of such conditions occurring again soon is difficult to measure, which makes activity in these markets hard to forecast.

Several other records were set, such as Walt Disney issuing the largest corporate bond ever, of a total $2.6bn, and Argentina launching a 10-year deal, the longest maturity by a Latin American borrower in D-Marks.

A few changes have appeared in the book-runner league tables.

Morgan Stanley edged ahead of Merrill Lynch at the top of the table with its 54 deals totalling $11.54bn in the quarter, compared with 70 deals and $11.5bn for Merrill.

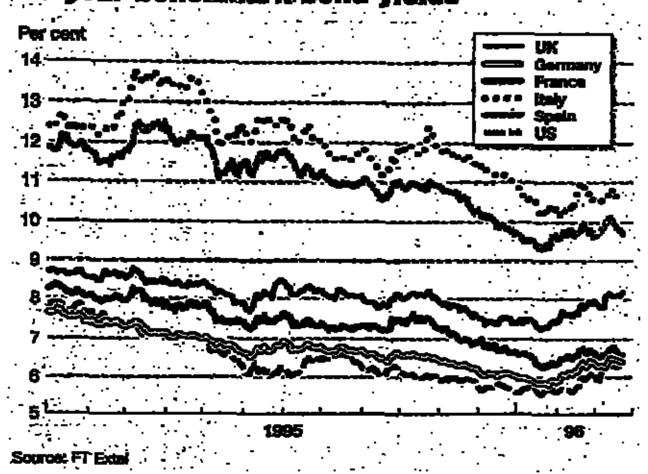
Morgan Stanley was ranked ninth a year earlier. J.P. Morgan, Banque Paribas, the HSBC Group and Nomura Securities, which ranked fourth, sixth, seventh and eighth respectively last year, were not in the top 10 in 1996.

Strong performers, besides Morgan Stanley, were Goldman Sachs, up from 10th to sixth, and UBS, up from 11th to seventh.

Salomon Brothers (eighth), ABN Amro (ninth), and Lehman Brothers (10th) also entered the top 10 category, from positions of 17th, 14th, and 18th respectively.

However most rankings are likely to change over the course of this year, as is often the case.

10-year benchmark bond yields



Source: FT Extel

[illegible] RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	3.00	5.50	9.00	6.00*
Overnight	5.75	0.50	3.25	3.98	9.81	5.94
Three month	5.45	0.56	3.26	4.07	9.84	6.12
One year	5.43	0.66	3.40	4.30	9.65	6.43
Five year	6.15	1.78	5.19	5.76	10.26	7.71
Ten year	6.39	3.10	6.45	6.68	10.86	8.18

[illegible]

INTERNATIONAL BOND ISSUES BY CURRENCY

1996* Rank	Currency	Total raised ($bn)	No. of issues	1995* Rank	Total raised ($bn)	No. of issues
1	US$	65.64	279	1	37.21	185
2	D-Mark	42.07	139	2	16.83	59
3	Sterling	14.31	62	5	6.49	32
4	Yen	13.89	290	3	12.16	121
5	FFr	11.47	29	8	4.88	15
6	SFr	8.66	94	4	7.11	68
7	Guilder	7.68	27	9	4.23	25
8	Lira	4.92	29	6	5.41	41
9	C$	3.59	26	14	0.41	5
10	A$	3.18	31	11	2.97	25

*First quarter. Source: Euromoney Bondware

TOP INTERNATIONAL BOND LEAD MANAGERS

Manager	First quarter of 1996 $bn	Rank	%	Issues	First quarter of 1995 $bn	Rank	%	Issues
Morgan Stanley	11.55	1	6.24	54	3.62	9	3.38	26
Merrill Lynch	11.52	2	6.22	70	8.24	1	7.70	41
SBC Warburg	9.81	3	5.30	58	7.66	2	7.16	46
Deutsche MG	9.51	4	5.13	38	5.49	5	5.13	22
CSFB/Credit Suisse	9.48	5	5.21	48	6.93	3	6.47	38
Goldman Sachs	8.15	6	4.40	32	3.49	10	3.26	19
UBS	7.91	7	4.27	50	3.40	11	3.18	22
Salomon Brothers	6.88	8	3.71	31	2.33	17	2.18	13
ABN Amro HG	6.82	9	3.68	36	2.85	14	2.66	19
Lehman Brothers	6.52	10	3.52	36	2.12	18	1.98	13
Industry totals	185.15		100.0	1134	107.05		100.0	681

Full credit to book-runner. Source: Euromoney Bondware

EMERGING MARKETS By Julian Ozanne

Lull seen as buying opportunity

The recent lull in Israel's stock market could prove the best buying opportunity for a market whose considerable growth potential is being suppressed *by political uncertainty and a* lack of domestic liquidity.

In the past three years a rapid expansion of corporate earnings, macroeconomic growth of about 6.5 per cent a year, Israel's penetration of new export markets, and the arrival of foreign investors have laid the foundations for what many analysts believe will be a boom. But the market, which began to recover from its slump of 1994 last year, has been restrained by high interest rates, redemptions from provident and mutual funds and political uncertainty surrounding May 29 elections.

Money has also poured out equities into more attractive deposits, saving schemes and Treasury bills, which last year gave an average yield of 14 per cent, compared with inflation of 8.1 per cent.

As the market remains principally driven by domestic investors, there will be little change before an easing of monetary policy. But the Bank of Israel, battling inflation, will not relax interest rates until there is a serious initiative by the Treasury to trim its budget deficit and that will have to wait until the second half of the year after the elections.

In the meantime, the equity market is largely directionless, dominated by low trading volume and fluctuating according to movements on Wall Street and the latest concerns about inflation and the elections.

After a rally since last December which took the Mishtanim index of the top 100 Israeli companies to the 200–215 range, the index has now fallen back to the 185–200 level of six months ago. Daily turnover has been around Shk80m.

"We are definitely in a wait-and-see holding period," said Mr Eran Goren, of Zannex Securities. "The Israeli market is no longer driven by political *and security considerations* but by economic fundamentals. A package of a budget cuts together with a reduction in interest rates is the only way out, and that won't happen until after the elections."

The sluggishness of the market has come despite impressive corporate earnings growth last year in real terms of at least 15 per cent. Estimates *suggest growth of about the* same level in 1996, although it could be even more dramatic with faster depreciation of the shekel in the second half.

Salomon Brothers says at current levels the market is attractive to emerging markets funds. "Although somewhat expensive when compared to emerging European markets such as Turkey and Poland, Israeli equities, with a 1995 estimated p/e ratio of 14, possibly falling to 13 in 1996, offer good value against most Latin American, Asian and European markets," it said.

Describing Israel as a "tiger economy", it said the market *needed to be considered as* more mature than a traditional emerging market because of its European affluence, skill level and political stability and recommended its clients increase their exposure to Israel. "A weak Israeli market is offering investors opportunities to buy Israeli shares at unusually attractive valuations," it said.

This analysis is shared by many local and foreign analysts, who believe an incoming government will be forced to make the necessary 2–3 per cent budget cut the current government is unwilling to undertake. Budget and interest rate cuts will stimulate an automatic market driven depreciation of the shekel, which has remained relatively stable for the past 18 months.

If the macroeconomic frame*work improves, the market* could be set for considerable growth in late 1996 and 1997. The Middle East peace process has delivered tremendous benefits to Israeli companies in three important ways – access to markets, strategic partnerships with multinational companies and an opening of the international capital market.

Many countries traditionally closed to Israeli business because of the Arab-Israeli conflict have opened their doors. For example, exports to Asian markets (excluding Japan) have risen 187 per cent since 1993 and exports to Japan by 154 per cent. Companies such as Volkswagen, Northern Telecom, Alcatel, Volvo and CPC have forged marketing or equity partnerships with Israeli companies, giving them new marketing muscle abroad. International investors, particularly in Europe, are also more willing to participate in Israeli share offerings.

In last week's successful $75m initial public offering of Tadiran Telecommunications, now listed on the New York Nasdaq exchange, a dedicated tranche of 40 per cent of the shares was sold in Europe led by Union Bank of Switzerland.

"There was very strong interest in the offering throughout Europe, particularly Britain, Switzerland and Germany," said Mr David Dwek of UBS. "European institutional investors are more *comfortable with Israel now* and there is more interest in good quality Israeli shares. Europe came up trumps on this offering and proved it is now a much more important investment location for Israel than in the past."

Foreign investment has also increased significantly, although foreign investors account for no more than 5–10 per cent of daily volume and most global emerging markets funds are underweight compared with Israel's 2.6 per cent weighting in the Morgan Stanley emerging markets index.

Expanding foreign interest in Israel combined with a return *to the market by local inves*tors, partly due to ongoing savings deregulation, could provide the platform for a market take-off and a return to the halcyon days of late 1993 when the Mishtanim index traded in the 240–255 range and daily volumes reached $240m.

But investors considering Israel are weighing the risks of accessing a cheap market now or waiting until the the election. A majority of foreign investors want to see victory for the Labour party because they believe that would mean continuity of policy both in the Middle East peace process and in the economy.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	29/3/96	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (395)	155.93	+0.00	+0.00	+0.70	+0.45	+8.37	+5.67
Latin America							
Argentina (22)	91.44	+0.43	+0.47	-1.06	-1.14	-1.34	-1.44
Brazil (23)	208.86	+0.05	+0.02	-10.64	-4.85	+22.77	+12.24
Chile (16)	173.94	-1.50	-0.85	-8.70	-4.76	-21.73	-11.11
Colombia (14)	159.28	+3.64	+2.34	-11.17	-6.55	-4.97	-3.02
Mexico (23)	82.13	+2.57	+3.23	+6.83	+9.07	+8.54	+11.60
Peru(14)	1,020.54	-36.53	-3.48	-77.64	-7.07	-48.42	-4.53
Latin America (112)	129.43	+0.85	+0.66	-1.44	-1.10	+6.29	+5.11
Europe							
Greece (18)	111.91	+1.13	+1.02	+1.16	+1.06	+13.94	+14.23
Portugal (20)	128.81	+1.90	+1.50	+1.09	+0.85	+12.35	+10.61
Turkey (26)	115.27	+1.82	+1.60	+4.12	+3.71	+32.47	+39.22
South Africa (32)	156.66	-0.13	-0.08	+0.00	+0.00	+3.28	+2.14
Europe (96)	128.96	+0.39	+0.31	+0.57	+0.45	+7.43	+6.11
Asia							
China (24)	44.81	-1.23	-2.68	-3.65	-7.54	+4.48	+11.12
Indonesia (32)	146.16	-1.01	-0.68	-4.92	-3.26	+7.52	+5.42
Korea (23)	134.04	+0.13	+0.10	+2.84	+2.17	-2.87	-2.09
Malaysia (24)	257.43	-0.26	-0.10	+15.15	+6.25	+30.07	+13.22
Pakistan (14)	81.95	+2.72	+3.43	-6.65	-7.51	+8.36	+11.36
Philippines (14)	291.25	-0.49	-0.17	-0.73	-0.25	+32.09	+12.38
Thailand (25)	254.14	-5.56	-2.14	-4.77	-1.84	+2.25	+0.89
Taiwan (31)	130.59	-1.58	-1.20	+6.98	+5.65	-0.24	-0.18
Asia (187)	215.29	-1.55	-0.72	+3.97	+1.88	+12.24	+6.03

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
CWRDul	300	Apr 2004	10.00§	98.8772R	10.00	+400(6⅝%-01)	Chase/Chemical
CS First Boston(b)‡	250	Apr 1998	(b1)	99.81	-	-	CS First Boston
BNG	200	Apr 1999	5.875	99.714R	5.982	+4(5%-99)	DKB Intl/Merrill Lynch
Banco de Galicia‡	200	Apr 1999	(c)	100.00R	-	-	SBC Warburg
BFCE‡	100	Apr 1999	(d)	100.05	-	-	Sanwa International
Shinhan Bank‡	200	Mar 1999	(h)	99.89R	-	-	Merrill/SBC Warburg
Swedish Export Credit	200	Apr 1998	5.75	99.848R	5.833	+5(5⅛%-98)	UBS
Bangpoint§	100	Apr 2003	2.75	100.00	-	-	JP Morgan Securities
Utd Communications Inds(r)§	200	Apr 2006	2.75	100.00	-	-	UBS
Kreditbank Intl Finance	200	Apr 1999	6.125	99.86R	6.178	+14(5%-99)	Salomon Brothers Intl
Telstra Corp(f)	150	Nov 2005	6.50	98.978R	6.933	+49(5⅞%-05)	JP Morgan Securities
D-MARKS							
North Rhine Westphalia(f)	500	May 2002	5.75	101.512	-	-	ABN Amro Hoare Govett
DSL Finance(s)	300	Apr 2001	5.375	99.70R	5.45	+35(5⅛%-00)	CSFB/SBC Warburg
Republic of Argentina(s)	250	Apr 2006	11.25	99.47R	11.34	-	Deutsche Morgan G'fell
YEN							
Ford Motor Credit Corp★	30bn	Apr 2001	2.65	100.05R	-	-	Nomura International
LW Rentenbank, Tch A(h,i)★	15bn	Apr 2011	4.33	96.40	-	-	Nomura International
International Fin Corp(f)★	16bn	Apr 1998	6.60§	100.00	-	-	IBJ/Wako Intl(Europe)
Bacob Overseas★	10bn	Apr 2001	1.00	92.85	2.541	-	Nikko Europe
SWISS FRANCS							
Oest Kontrollbank(s)	500	Nov 2003	4.25	102.75	-	-	SBC Warburg
KfW International Finance(s)	150	Nov 2002	4.00	102.75	-	-	UBS
IBM Credit Corp(s)	150	Nov 1999	3.50	102.40	-	-	Credit Suisse/Merrill
Sigma Finance Corp Cayman‡	101	Mar 2003	(k)	100.00	-	-	Deutsche Morgan G'fell
STERLING							
LB Schleswig-Holstein(s)	100	Mar 1999	7.25	99.2215R	7.533	+20(6%-99)	HSBC Markets
Abbey Natl Trsy Services(s)	200	Dec 1998	7.125	99.743R	7.254	+35(7¼%-98)	JP Morgan Securities
Train Finance 1, Srs 1(x1,l)	81.6	Mar 2004	zero	74.15	8.243	+50(8%-00)	Nomura International
Train Fin 1, S2, Cls A(x2,l)	91.75	Mar 2004	7.75	99.57	8.191	+45(8%-00)	Nomura International
GUILDERS							
DSL Bank	125	May 2002	(n)	100.315R	5.85	+70	Kreditbank Intl Group
FRENCH FRANCS							
Gutmann(s)	1.5bn	Nov 2002	6.25	99.49R	6.356	+21(8½%-02)	Société Générale
LUXEMBOURG FRANCS							
Argentaria	3bn	May 1998	5.00	100.00	5.000	-	BCEE
Commerzbank(s)	2.5bn	Dec 2000	5.625	102.375	5.04	-	BGL/Kredietbank
ITALIAN LIRE							
European Invt Bank(c)	500bn	Feb 2006	zero	38.298R	10.30	-	Cariplo/Deutsche/JPM
Rabobank Nederland(q)	150bn	Apr 1998	10.10	101.255	-	-	C Italiano/San Paolo
World Bank	200bn	Apr 1998	zero	84.595	8.725	-	BNL
AUSTRALIAN DOLLARS							
Kingdom of Sweden	100	May 2001	8.625	101.463	8.256	-	ABN Amro Hoare Govett
EBRD★	250	Apr 1998	7.60§	98.40	7.880	-	Yamaichi Intl(Europe)
New Sth Wales Trsy Corp★	100	Apr 1999	4.50§	91.195	7.851	-	Nomura International
ABN Amro Lease Holding	100	May 1999	8.25	100.85	7.775	-	ABN Amro Hoare Govett
PESETAS							
Nordic Investment Bank(q)	10bn	Apr 2006	(o1)	181.325	-	-	BNA/BNP España
European Investment Bank(o)	7bn	Apr 2006	(o1)	99.95	-	-	BSN
European Investment Bank(o2)	6bn	Jan 2001	7.50	111.5833	-	-	BSN
DSL Bank	10bn	Apr 1998	8.30	100.98	7.752	-	BBV/Deutsche MG
KommuneKredit	10bn	Apr 2001	9.05	101.22	8.738	-	BNS
DANISH KRONER							
Deutsche Finance Netherlands	400	May 2003	(w)	101.825	6.68	-	Deutsche Morgan G'fell
ESCUDOS							
International Endesa‡	10bn	Apr 2001	(y)	100.00	-	-	BSN Portugal
AUSTRIAN SCHILLINGS							
Republic of Argentina(f)	750	Apr 2003	9.00	99.50R	9.129	+372(5¼%-01)	Creditanstalt
NEW ZEALAND DOLLARS							
World Bank	100	Apr 1999	8.25	100.885	7.907	-	CBA

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. §Semi-annual coupon and yield. R: fixed re-offer price. a) Putable on 27/1/01 at 99.80%. b) Putable in Apr97 at 99.85%. b1) 3-mth Libor -5bp. c) 3-mth Libor +370bp. d) Fungible with £1,000m. e) Callable on 25/4/01 at par. e1) 9.80% to 25/4/01 and 10.12% thereafter. f) Recommended re-offer. g) 3-mth Libor +¼%. h) Coupons paid in A$. h1) Tranche B. Y5bn, 31/3/06, 4% in A$, 100.325%. i) Over interpolated yield. j) Redemption in $A, coupons in Yen. k) 6-mth Libor flat. l) Long 1st coupon. m) 6-mth Libor +25bp. n) Conv price: baht 720. FX: 25.25 baht/$. Callable, subject to 140% hurdle, from 10/4/99 at accreted value. Redemption price: 141.80%. o) Callable on 29/4/97 & 98 at par. q) Callable annually from 15/4/99 at par. q1) 9.3% to 15/4/99, and 9.5%, 10.1%, 11.2%, 10.8%, 11%, 11% & 10.3% for subsequent years. q2) Short 1st & last coupons. Redemption price linked to Mibor. r) Conv price: baht 388. FX: 25.24 baht/$. Putable on 4/4/01 at 126.3312%. Callable from 4/4/99 subject to 135% hurdle. s) Short 1st coupon. t) Fungible with $250m. Plus 133 days accrued. JPM sole lead manager. u) DM500m launched 30/3/96 was increased to DM750m. v) 5% to 7/5/99 and 7% thereafter. w) 6% to 7/5/99, then 7.5% to 7/5/01 and 8.5% thereafter. x) Funding for Angel Train Contracts. Amortising notes, monthly cash flows. x1) Average life: 3.9 yrs. x2) Av life: 3.46 yrs. x3) Series 2, Class B: £29.35m, 11/3/04, 5.26 yrs, 8.725%, 99.50, +125bp(7%-01). x4) Series 2, Class C: details undisclosed. y) 6-mth Libor -12½bp. Note: Yields are calculated on ISMA basis.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 29 / Sch)

BELGIUM/LUXEMBOURG (Mar 29 / Frs.)

CZECH REP (Mar 29 / Koruna)

DENMARK (Mar 29 / Kr)

FINLAND (Mar 29 / Mka)

FRANCE (Mar 29 / Frs.)

GERMANY (Mar 29 / Dm.)

GREECE (Mar 29 / Drachma)

ITALY (Mar 29 / Lire)

NETHERLANDS (Mar 29 / Fls.)

NORWAY (Mar 29 / Kroner)

POLAND (Mar 29 / Zloty)

PORTUGAL (Mar 29 / Escudo)

SPAIN (Mar 29 / Pts.)

SWEDEN (Mar 29 / Kronor)

SWITZERLAND (Mar 29 / Frs.)

TURKEY (Mar 29 / Tk Lira)

PACIFIC

JAPAN (Mar 29 / Yen)

AUSTRALIA (Mar 29 / Aust$)

HONG KONG (Mar 29 / HK$)

INDONESIA (Mar 29 / Rupiah)

MALAYSIA (Mar 29 / MYR)

NEW ZEALAND (Mar 29 / NZ $)

SINGAPORE (Mar 29 / S$)

SOUTH KOREA (Mar 29 / Won)

TAIWAN (Mar 29 / TW $)

THAILAND (Mar 29 / Baht)

AFRICA

SOUTH AFRICA (Mar 29 / Rand)

NORTH AMERICA

CANADA

TORONTO (Mar 29 / Can $)

4 pm close

MONTREAL (Mar 29 / Can $)

4 pm close

INDICES

	Mar 29	Mar 28	Mar 27	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	16074.17	16088.90	16177.90	18191.58	31/1/96	8831.09	9/3/95
Australia							
All Ordinaries(1/1/80)	2225.6	2236.5	2259.7	2323.40	4/3/96	1823.30	8/2/95
All Mining(1/1/80)	1035.2	1048.0	1062.0	1069.30	4/3/96	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	372.57	374.36	375.50	385.42	2/1/95	328.50	27/10/95
Traded Index(2/7/91)	1050.81	1059.47	1067.43	1094.98	7/2/96	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1639.43	1648.45	1654.15	1755.71	7/3/96	1271.53	9/3/95
Brazil							
Bovespa(29/12/83)	49549.0	49805.0	50396.0	54109.00	2/2/96	21382.00	9/3/95
Canada							
Metals Minls♦(1975)	5326.22	5345.73	5355.41	5483.82	19/3/96	3806.63	1/3/95
Composite♦(1975)	4970.83	4975.15	4987.46	5059.89	14/2/96	3991.41	30/1/95
Portfolio§§(4/1/83)	2411.98	2426.97	2436.58	2489.57	8/2/96	1953.36	30/1/95
Chile							
IGPA Gen♥(31/12/80)	5326.65	5326.59	5318.67	6363.10	11/7/95	4576.90	9/3/95
Denmark							
CopenhagenSE(3/1/83)	384.74	383.21	382.04	391.35	13/2/96	330.01	29/3/95
Finland							
HEX General(28/12/90)	1838.33	1833.68	1847.22	2332.22	14/9/95	1555.30	29/3/95
France							
SBF 250(31/12/90)	1392.98	1378.39	1382.39	1392.98	29/3/96	1154.41	13/3/95
CAC 40(31/12/87)	2044.77	2019.97†	2030.51	2044.77	29/3/96	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	891.81	889.76	892.36	892.36	27/3/96	708.87	30/3/95
Commerzbank(1/12/53)	2550.7	2576.1	2584.1	2584.10	27/3/96	2018.70	30/3/95
DAX‡(30/12/87)	2485.87	2508.44	2525.42	2525.42	27/3/96	1910.98	28/3/95
Greece							
Athens SE(31/12/80)	994.84	988.36	993.61	1017.98	4/3/96	787.16	16/3/95
Hong Kong							
Hang Seng(31/7/64)	10957.20	11030.58	11066.57	11594.99	16/2/96	6967.93	23/1/95
India							
BSE Sens.(1979)	3366.61	(c)	3309.85	3932.09	2/1/95	2826.08	25/1/96
Indonesia							
Jakarta Comp.(10/8/82)	(c)	585.70	587.06	597.38	27/2/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2408.98	2383.56	2372.74	2408.98	29/3/96	1813.68	23/1/95
Italy							
Banca Comm Ital(1972)	580.93	574.68	572.21	680.64	10/2/95	547.79	5/12/95
MIB General(2/1/96)	985.0	975.0	970.0	1082.00	9/2/96	970.00	27/3/96
Japan							
Nikkei 225(16/5/49)	21406.85	21295.82	21328.98	21406.85	29/3/96	14485.40	3/7/95
Nikkei 300(1/10/82)	305.91	303.21	303.51	307.98	5/1/96	222.26	13/6/95
Topix(4/1/68)	1636.88	1620.69	1619.63	1636.88	29/3/96	1193.16	13/6/95
2nd Section(4/1/68)	2066.81	2042.68	2030.09	2130.68	4/1/95	1441.90	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1149.08	1146.67	1154.00	1164.49	26/3/96	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	3080.44	3061.78	3101.92	2/2/96	1447.52	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	586.5	582.5	584.7	586.60	29/3/96	422.90	23/3/95
CBS All Shr(End 83)	354.6	352.2	353.6	354.60	29/3/96	286.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2162.67	2142.37	2150.62	2286.02	20/10/95	1901.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1325.67	1326.91	1334.88	1342.03	19/3/96	1036.00	10/3/95
Philippines							
Manila Comp(2/1/85)	2900.75	2948.71	2934.41	2958.12	10/7/95	2196.48	20/11/95
Portugal							
BTA(1977)	2657.3	2652.5	3646.6	2911.60	9/1/95	2412.90	22/11/95
Singapore							
SES All-S'pore(2/4/75)	585.34	587.51	589.05	618.37	5/2/96	472.80	23/1/95
South Africa							
JSE Gold(28/9/78)	1780.9♥	1823.0	1857.5	2023.00	2/1/95	1250.20	30/10/95
JSE Ind.(28/9/78)	8299.4♥	8239.4	8313.3	8739.30	25/1/96	6222.00	31/1/95
South Korea							
KoreaCmpEx**(4/1/80)	866.76	856.58†	857.21	1027.37	2/1/95	838.87	13/3/96
Spain							
Madrid SE(30/12/85)	341.64	339.40	340.04	345.87	1/3/96	284.06	23/3/95
Sweden							
AffarsvarldnGen(1/2/37)	1898.0	1905.5	1923.8	1927.00	19/3/96	1439.80	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1755.33	1753.37	1764.95	1764.95	27/3/96	1174.63	13/3/95
SBC General(1/4/87)	1240.49	1240.21	1249.86	1250.67	25/3/96	870.58	13/3/95
Taiwan							
WeightedPr.**(30/6/66)	(c)	5032.35	5043.11	7051.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1289.73	1282.37	1268.13	1472.04	10/7/95	1135.69	16/3/95
Turkey							
Istanbul Comp.(Jan 1986)	67045.1	66909.3	68459.3	68379.50	25/3/96	24844.30	23/1/95
WORLD							
MS Capital Intl(1/1/70)	763.1*	760.4	759.7	763.10	29/3/96	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1620.03	1615.40	1626.36	1626.36	27/3/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1414.37	1408.93	1416.73	1416.73	27/3/96	1117.34	9/3/95
HSBC JC Drgn(31/12/88)	(u)	374.05	374.98	382.52	19/2/96	282.07	23/1/95
ING Bmgs Emrg(7/1/92)	155.93	155.47	156.08	162.72	5/2/96	0.00	27/3/96

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Mar	2030.0	2037.7	+16.7	2050.0	2024.0	24,206	14,313
Apr	2032.0	2039.0	+15.0	2051.0	2026.5	25,265	28,671
■ DAX							
Mar	2511.5	2495.5	-18.0	2515.5	2487.5	21,086	-
Jun	2509.0	2515.5	-13.5	2520.5	2509.0	34	-
■ OMX							
Mar	1500.00	1493.50	-11.50	1501.00	1492.90	2,690	17,899
Apr	1485.25	1485.25	-4.00	1485.25	1485.25	50	1,217
■ SOFFEX							
Apr	3641.9	3638.0	-6.5	3647.0	3618.0	4,743	20,442
May	3627.0	3622.1	+5.6	3627.0	3622.0	31	734

** Sat Mar 23. Taiwan Weighted Price (c); Korea Comp Ex 868.76. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Mar 29 - 2489.35 -13.59

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Mar 29	Mar 28	Mar 27	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5587.14	5630.85	5626.88	5683.60 (18/3/96)	3832.08 (30/1/95)	5683.60 (18/3/96)	41.22 (2/7/32)
Home Bonds	103.25	103.38	103.49	108.09 (14/2/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2152.10	2168.24	2137.49	2215.21 (19/3/96)	1473.19 (3/1/95)	2215.21 (19/3/96)	12.32 (8/7/32)
Utilities	212.76	215.27	216.74	234.00 (12/2/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5582.88 (5664.45) Low 5550.29 (5564.74) (Theoretical♦)
Day's high 5645.31 (5636.27) Low 5576.86 (5581.48) (Actual♦)

Standard and Poors	Mar 29	Mar 28	Mar 27	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	645.50	648.94	648.91	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials♥	761.80	765.96	765.97	778.23 (22/2/96)	546.28 (3/1/95)	778.23 (22/2/96)	3.62 (21/6/32)
Financial	66.79	66.81	66.71	68.56 (5/3/96)	41.64 (3/1/95)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	346.92	348.28	348.09	351.70 (12/2/96)	250.73 (3/1/95)	351.70 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	571.38	566.15	568.59	571.38 (29/3/96)	433.12 (6/1/95)	571.38 (29/3/96)	29.31 (9/12/72)
NASDAQ Comp	1101.40	1094.84	1093.88	1117.79 (23/2/96)	743.58 (3/1/95)	1117.79 (23/2/96)	54.87 (31/10/72)

■ RATIOS

	Mar 22	Mar 15	Mar 8	Year ago
Dow Jones Ind. Div. Yield	2.13	2.15	2.18	2.85
	Mar 27	Mar 20	Mar 13	Year ago
S & P Ind. Div. yield	1.87	1.87	1.85	2.27
S & P Ind. P/E ratio	21.21	21.26	21.01	18.05

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Wal-Mart	7,886,500	23⅛	-⅞
Nokia	6,582,000	34¼	-⅛
Pac Gas E	6,229,100	22¾	-1¼
Gucci	5,834,800	48	-1⅝
Gen Inst	5,840,900	27¾	-⅛
K Mart	5,583,900	9¾	+⅛
McDonalds	4,897,700	48	-1¼
Ford Motor	4,531,800	34⅝	....
Digital Equip	3,711,400	55⅛	+2⅝
Bay Networks	3,400,300	30⅝	+¾

■ TRADING ACTIVITY

● Volume (million)

	Mar 29	Mar 28	Mar 27
New York SE	415.832	370.727	405.956
Amex	32.014	28.82	22.04
NASDAQ	(u)	493.408	510.523
NYSE			
Issues Traded	3,114	3,095	3,102
Rises	1,289	1,030	1,045
Falls	1,053	1,250	1,280
Unchanged	772	815	777
New Highs	144	97	125
New Lows	25	28	25

	Open	Close	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	654.80	651.25	-3.50	656.10	648.00	66,193	181,137
Sep	661.60	656.70	-3.55	661.60	657.00	266	4,639

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Jun	21330.0	21470.0	+170.0	21570.0	21310.0	16,860	255,125
Sep	21460.0	21540.0	+170.0	21540.0	21460.0	4	12,988

Open interest figures for previous day.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, March 29, 1996

	Stocks Traded	Closing Prices	Change on day
TEC Corp	13.2m	730	+66
Nippon Stl Corp	8.5m	368	+5
Toshiba Corp	7.6m	812	+13
Mitsubishi Hvy	6.8m	924	+4
Nippon Hsg Loan	6.5m	5	-1
Hitachi	5.8m	1040	+20
NKK Corp	5.3m	309	+3
Todentu Corp	5.1m	935	+57
Fujitsu	4.9m	987	-10
Mitsui Mining	4.9m	605	-4

هكذا من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

STERLING FUTURES (IMM) £62,500 per £

[illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

Pound in New York

[illegible]

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

BANK RETURN

[illegible]

BASE LENDING RATES

[illegible]

FT GOLD MINES INDEX

[illegible]

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FT-SE Actuaries Share Indices

The FT-SE Actuaries UK Indices Committee has reviewed the treatment of the distribution of National Grid shares by the Regional Electricity companies, and has approved a policy for the treatment, in future, of share distributions which attract a tax credit. Such corporate actions require an adjustment to be made to the capital indices. These will be calculated on a net tax basis and the tax credit will be included in the XD adjustment used to calculate the gross total return.

The current policy overstates the gross total returns. As a result the XD adjustment and total return indices have been recalculated for the period 11 December 1995 to 29 March 1996 to include the two share distributions of National Grid in December 1995 and January 1996. The recalculated figures for this period can be obtained from FT-SE International. Telephone: 0171 448 1810.

The table below incorporates all recalculated figures as at 29 December 1995.

29 December 1995	Index value†	Xd adj. ytd	Total Return
FT-SE 100	3689.3	152.52	1474.35
FT-SE Mid 250	4021.3	157.33	1580.69
FT-SE Mid 250 ex Inv Trusts	4034.8	165.49	1586.85
FT-SE-A 350	1830.6	74.78	1495.94
FT-SE-A 350 Higher Yield	1833.8	95.79	1248.61
FT-SE-A 350 Lower Yield	1832.1	52.17	1246.58
FT-SE SmallCap	1949.33	82.04	1575.89
FT-SE SmallCap ex Inv Trusts	1927.02	85.03	1586.26
FT-SE-A ALL-SHARE	1803.09	72.46	1497.16

FT-SE Actuaries All-Share

	Index value†	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION	3249.88	116.72	1367.57
12 Extractive Industries	4225.28	144.17	1211.60
15 Oil: Integrated	3293.22	123.19	1420.63
16 Oil Exploration & Prod	2121.05	49.88	1258.98
20 GEN INDUSTRIALS	1970.30	82.31	1057.98
21 Building & Construction	1044.78	40.32	860.78
22 Building Matls & Merchs	1814.40	73.55	900.45
23 Chemicals	2345.50	85.74	1092.24
24 Diversified Industrials	1784.59	98.09	975.78
25 Electronic & Elect Equip	2235.95	75.80	1147.11
26 Engineering	2178.18	74.15	1302.55
27 Engineering: Vehicles	2507.34	95.42	1278.40
28 Paper,Pckg & Printing	2511.96	100.00	1030.36
29 Textiles & Apparel	1414.87	71.88	848.58
30 CONSUMER GOODS	3638.76	135.14	1320.34
31 Breweries	2848.33	100.85	1350.80
32 Spirits: Wines & Ciders	2905.17	125.07	1028.16
33 Food Producers	2563.21	101.32	1136.81
34 Household Goods	2703.07	90.95	1014.90
36 Health Care	1894.61	60.01	1137.49
37 Pharmaceuticals	5121.38	182.31	1710.49
38 Tobacco	4807.23	229.23	1163.01
40 SERVICES	2231.64	67.76	1143.56
41 Distributors	2571.73	101.56	935.99
42 Leisure & Hotels	2635.06	74.15	1350.00
43 Media	3471.21	81.46	1242.28
44 Retailers: Food	1994.05	72.35	1248.63
45 Retailers: General	1948.43	59.64	1096.38
48 Support Services	1898.82	44.55	1187.15
49 Transport	2173.15	86.39	892.42
51 Other Services & Business	1080.74	50.09	977.45
60 UTILITIES	2465.06	141.12	1025.89
62 Electricity	2728.38	194.42	1248.30
64 Gas Distribution	1888.29	119.82	847.04
66 Telecommunications	1892.62	86.02	901.92
68 Water	2173.37	123.83	1176.83
69 NON-FINANCIALS	1908.91	75.11	1422.89
70 FINANCIALS	2858.36	138.00	1206.30
71 Banks: Retail	4088.18	206.09	1298.84
72 Banks: Merchant	3635.82	104.97	1139.80
73 Insurance	1428.82	73.50	1047.19
74 Life Assurance	3371.24	136.72	1373.45
77 Other Financial	2361.56	77.97	1324.09
79 Property	1425.94	62.91	884.59
80 INVESTMENT TRUSTS	3021.50	86.81	1045.61
89 FT-SE-A ALL-SHARE	1803.09	72.46	1497.16
FT-SE-A Fledgling	1108.41	33.30	1143.00
FT-SE-A Fledgling ex Inv Trusts	1109.99	32.32	1145.83

 † Before year end changes.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

STOCK INDICES

[illegible]

NOTICE TO

(I) **Holders of**
BANK OF TOKYO (CURAÇAO) HOLDING N.V.

U.S.$100,000,000 8-3/8% Guaranteed Bonds due 1996
U.S.$100,000,000 Guaranteed Floating Rate Notes due 1997
U.S.$225,000,000 9% Guaranteed Bonds due 2000
U.S.$220,000,000 8.875% Subordinated Guaranteed Bonds due 2001
U.S.$200,000,000 Fixed/Floating Rate Subordinated Guaranteed bonds due 2002
U.S.$110,000,000 Floating/Fixed Rate Guaranteed Bonds due 2004
U.S.$80,000,000 Guaranteed Amortised Capped Floating Rate Notes due 2004
U.S.$350,000,000 Undated Subordinated Guaranteed Floating Rate Notes
Notes issued under U.S.$3,000,000,000 Euro Medium Term Note Programme

(all guaranteed by THE BANK OF TOKYO, LTD.), and

(II) **Holders of**
THE BANK OF TOKYO TRUST COMPANY

Notes issued under U.S.$1,000,000,000 Euro Medium Term Note Programme
and
U.S.$50,000,000 Floating/Fixed Rate Notes due 2004

(both entitled to the benefit of a Keep Well Agreement of The Bank of Tokyo, Ltd.)

(III) **Holders of**
POKKA CORPORATION

U.S.$70,000,000 2-3/4% Guaranteed Bonds due 1999
with Warrants to subscribe for shares of common stock of Pokka Corporation
guaranteed as to payment of principal and interest by
The Bank of Tokyo, Ltd.

Pursuant to the instruments relating to the above issues and the rules of the Luxembourg Stock Exchange, notice is hereby given that The Bank of Tokyo, Ltd. ("Bank of Tokyo") entered into a merger agreement (the "Merger Agreement") with The Mitsubishi Bank, Limited ("Mitsubishi Bank") on 19 May 1995 under which Bank of Tokyo and Mitsubishi Bank agreed to merge on an equal basis; provided, however that as a matter of procedure, Mitsubishi Bank will be the surviving legal entity.

The Merger Agreement was approved by general meetings of the shareholders of both companies held on 29 June 1995.

Under the Merger Agreement, the date of the merger (the "Date of Merger") is 1 April 1996. The merger will be completed upon the subsequent commercial registration of the merger in Japan whereupon as a matter of Japanese law all of the assets and liabilities (including its liability as guarantor under the bonds and notes referred to above) of Bank of Tokyo will be assumed by Mitsubishi Bank (as renamed from the Date of Merger).

On and from the Date of Merger, Mitsubishi Bank will change its name to "Kabushiki Kaisha Tokyo Mitsubishi Ginko". The corporate name in English will be "The Bank of Tokyo-Mitsubishi, Ltd."

With respect to the bonds and notes as set out in (I) above, Bank of Tokyo (Curacao) Holding N.V. will change its name to BTM (Curacao) Holdings N.V. with effect from *the Date of Merger.*

With respect to the bonds and notes as set out in (II) above, The Bank of Tokyo Trust Company will merge with Mitsubishi Bank Trust Company of New York. The Bank of Tokyo Trust Company will be the surviving entity and will change its name to Bank of Tokyo – Mitsubishi Trust Company with effect from the Date of Merger.

The bonds and the notes will neither be overstamped nor exchanged and will be listed on the Luxembourg Stock Exchange under the former name followed by the new one. A complementary legal notice as well as the articles of incorporation will be filed with the Chief Registrar of the District Court of Luxembourg.

The Bank of Tokyo, Ltd.

Dated: 1 April 1996.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

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	Selling Price	Buying Price	Yield Gross	City-Line
Capital International				
Capital Int. Fund	$164.80		-	44823
Cathay Investment Fund Limited				
NAV Dec 31	HK$10.13		-	45613
Chameleon Funds Limited				
UK Equity Fund	£144.14	145.32	-	46014
Chaucer Indian Investment Company Ltd				
The China Fund				
The MC Oasis Fund LP				
NAV Feb 29	$103.25		-	-
MD Sass Re/Enterprise International Ltd				
Class AA Shares NAV Feb 29	$1028.38		-	55414
MFS Meridian Funds				
Regent Kingpin Capital Management Ltd				
Regis Asset Management				
RAM Offshore II	$105.32	108.42	-	-
Republic Funds				

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	W'k% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Allied Domecq		481	-3.3	Q28.5	1.2	Feb Jul	4.12	1950
Bulmer (HP)		614	5.0	12.3	2.6	Feb Sep	8.1	2005
Burn St Dist		115	-1.7	5.0	0.9	May Nov	30.10	1518
Grand Met		422xd	-2.8	14.9	1.6	Apr Oct	29.12	2758
Guinness		478	2.1	14.9	2.0	May Nov	9.10	2791
Highland		344	-1.1	7.9	2.7	Jan Jun	4.12	2880
Kirin Y		792¼	6.0	Q20%	4.2	Mar Sep	-	1119
Macallan-Glen		151	-7.9	1.32	3.4	Nov May	2.10	3254
Morland Marin A		635	--	10.9	1.1	Jan Jul	11.12	3257
Matthew Clark		726xd	1.1	22.0	0.2	Apr Oct	29.1	2153
Merrydown		103	1.0	2.0	-	Jan Oct	11.12	3362
Seagram $		122	3.4	Q60c	-	MrJeSeDe	3'93	-

BANKS, MERCHANT

	Notes	Price	W'k% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf		50½-8	-	8%	-	Jun Dec	11'94	1757
Cater Allen		448	-1	30.0	2.0	Jan Aug	11.12	2081
Close Bros		371xd	-	9.05	2.5	Apr Nov	11.3	2169
Garrard & Nat		403	-2	22.5	1.3	Jul Dec	13.11	2886
Hambros		240	3.0	7.5	-	Aug Dec	27.11	2812
7½pc Cv Pf		107xd	0.5	7½%	-	Oct Apr	6.2	4388
King & Shaxson		157	3.3	9.9	1.4	Jan Jul	22.12	3088
Leopold J		450	..	18.75	1.6	Sep Jan	11.12	3089
Rea Brothers		58	..	1.0	♦	May Sep	14.8	3785
Schroders		1202½xd	-2.0	16.0	4.5	May Oct	25.3	3939
N/V		933xd	-9	16.0	4.5	May Oct	25.3	3941
Singer & Fried		100	-1.5	4.0	3.1	Jan Nov	25.9	4029
8½pc Cv Ln 09/14		£128¼xd	-4.6	08½%	-	-	25.3	4045
Union		103xd	4.0	3.0	♦	Apr Aug	4.3	4359

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LIFE ASSURANCE

MEDIA

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

RETAILERS, GENERAL

TELECOMMUNICATIONS

TEXTILES & APPAREL

AMERICANS

CANADIANS

TOBACCO

TRANSPORT

PHARMACEUTICALS

RETAILERS, GENERAL - Cont.

OIL EXPLORATION & PRODUCTION

PROPERTY

OIL, INTEGRATED

OTHER FINANCIAL

WATER

SUPPORT SERVICES

AIM

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£28¾	—	Q345c	ϕ	May Oct	3'93	-
Barlow	$	582	-7.7	Q84c	ϕ	Jan Jul	11.12	-
Energy Africa		170½	0.5	-	-	-	-	-
Gold Flds Prop R		143xd	-8.3	Q80c	2.1	Mar Sep	26.2	-
JCI Props		80	—	Q83.8c	-	Mar Sep	1.9	-
SASOL	♥	531	-.8	Q78c	-	Oct	9'93	-
SA Brews		£20¾	-8.0	Q200c	2.1	Jan Dec	27.11	-
Standard Bank	□	£29½	-2.7	Q254c	3.1	Sep Mar	-	-
Tiger Oats		1062	-3.5	Q108c	ϕ	Jan Aug	11.12	-
Tongaat-Hulett	†	895	-3.4	Q110c	2.7	Jan Jun	4.12	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "v" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. *Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.*

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. *m Interim higher than previous total.* n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. *W Pro forma figures.* Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Streamline** (Bldg Matls), **Joel (HJ)** (Extractive Inds), **Fortis AG** (Insce), **Intl Biotech, M&G equity Cap, Do Div, Do Inc, Do Dfd Inc, Do Pkg Uts, Do Dfd Pkg Uts and Do zero Div Prf** (Inv Trusts), **Dmatek and Freepages** (AIM). **Deletions: Locker (T) A** (Engineering), **Cluff Res** (Extractive Inds), **Hobson** (Food Prod), **Fortis VVPR** (Insce), **Murray Euro Wrts** (Inv Trusts), **Carnaud Metalbox** (Paper, Pkg & Prntg).

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The share prices printed on these pages are also available on the internet at www.FT.com.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close March 29

1995/96 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22 1/8	12 1/8	AAR	0.48	2.4	22	322	20 1/2	20 3/8	20 3/8	-1/8
46 1/4	35	AMP	1.00	2.4	21	4772	41 3/4	41 1/4	41 3/8	-3/8
93 3/4	53 3/8	AMR			36	5147	90 5/8	89 3/4	89 1/2	-7/8
50 1/2	36 3/8	ASA	2.00	4.3	30	880	46 3/4	46 1/8	46 1/2	+1/8
44 3/4	30 3/4	AbbtL	0.96	2.4	19	15791	41 5/8	40 5/8	40 3/4	+1/8
18 7/8	12	Abitibi Pr	0.40	2.9	7	763	13 3/4	13 1/2	13 5/8	-1/4
33 1/2	21	ABM Ind	0.70	2.1	17	80	u33 1/8	32 5/8	33 1/8	+5/8
17 1/2	13 1/8	Acceptncetn			66	720	15 1/2	14 7/8	15 1/2	+5/8
50 3/8	21 7/8	ACE Ltd	0.56	1.3	10	414	44 3/4	44 3/8	44 5/8	
9 7/8	8 1/8	ACM Gvt In	0.80	9.2	8	101	8 3/4	8 5/8	8 3/4	+1/8
7 7/8	6 1/2	ACM GvOpp	0.66	9.1		27	7 1/8	7 1/4	7 1/4	-1/8
7 1/2	5 3/4	ACM Gvt Sp	0.75	11.1		145	6 7/8	6 3/4	6 3/4	
9 1/8	7 1/4	ACM Gvt Se	0.90	10.9		288	8 3/4	8 5/8	8 3/4	+1/4
9 1/2	7 5/8	ACM Man	0.90	9.5		340	u9 1/2	9 3/8	9 1/2	
31 1/4	10 3/4	AcmeCh	0.52	1.7	7	128	30 7/8	30 3/4	30 7/8	-1/8
38 3/4	6 1/2	Acme Elect			54	40	6 5/8	6 1/2	6 1/2	-1/8
34 1/2	23 3/4	Acordia	0.72	2.3	17	27	31 3/4	31	31 3/4	+7/8
16 3/4	10 1/2	Acuson			49	1243	15 7/8	15 3/4	15 3/4	
19 5/8	15 5/8	Adams Exp	0.36	1.9	0	160	19 1/8	19	19 1/8	-1/8
38 7/8	16 1/8	AdvMic			6	3635	17 5/8	17 1/8	17 1/4	-1/4
10 1/4	5	Advest Grp	0.16	1.7	9	285	9 3/4	9 1/2	9 5/8	
27 1/2	8 1/4	Advo Inc	0.10	1.0	10	2612	9 3/4	d9 1/4	9 3/4	-3/8
47 1/2	24.80	Aegon	1.28	2.7	18	39	u47 1/2	47 1/8	47 3/8	+1 5/8
5 7/8	3 3/8	Aerfo			8	226	4 3/4	4 1/2	4 5/8	
79 3/4	46 3/4	AetnaL	2.76	3.7	38	4277	76 7/8	75 1/2	75 1/2	-1 1/4
33.17	21.37	Aflac	0.35	1.1	13	1883	31 3/8	31	31 1/4	+1/4
20 3/8	15	AGL Res	1.06	5.8	17	1201	18 1/2	18 1/8	18 3/8	+3/8
28 3/8	16	Ahmnsn	0.88	3.6	7	3347	24 5/8	23 3/4	24 1/4	+1/4
59 1/2	43 7/8	AirPrC x	1.04	1.9	16	3847	55	54 1/4	54 5/8	-1/8
29 1/2	18 3/8	Airbne Frt	0.30	1.2	24	151	25 3/8	25 1/4	25 1/4	-1/8
42 1/2	19 5/8	Airgas Inc			34	386	40 1/8	39 5/8	39 3/4	-1/8
18 7/8	13 3/8	Airlease x	2.00	11.0	12	28	18 1/4	18 1/8	18 1/8	-1/8
35 5/8	24	AirTch			115	4790	31 5/8	30 3/4	31 1/8	
27 3/4	13 1/2	Alaska Air	0.20	0.7	20	726	27	26 5/8	26 3/4	
26 1/2	17 1/8	Albany Int	0.40	2.0	13	3369	20 1/8	19 7/8	20	+1/8
22 3/4	12 1/4	Alberti	0.22	1.0	18	2010	22 1/2	22 3/8	22 3/8	
43 3/4	35 7/8	AlbCuB	0.36	0.9	20	470	40 5/8	38 1/2	38 1/2	-2
38 7/8	23	AlCulvr A	0.36	1.0	18	586	36 1/4	35 5/8	35 5/8	-5/8

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4 pm close March 29

NYSE COMPOSITE PRICES

Continued from previous page

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg Prev. Close
29	11 1/4	Schwab(C)	0.16	0.6	28	2191	25 7/8	25 1/8	25 5/8	+1/4
28 7/8	20 1/2	SchwMaud			15	744	27 3/8	27 1/8	27 1/2	+1/8
24 7/8	11 3/8	SciAtl	0.06	0.3	30	2358	17 1/4	17 3/8	17 1/4	+1/2
20	15 1/8	Scotman x	0.10	0.6	11	99	18	17 3/4	17 7/8	+1/8
43 1/2	26 7/8	Scripps	0.52	1.2	26	771	42 1/8	41 7/8	41 7/8	-1/4
21 1/2	13 3/8	ScuddrNAsF	0.02	0.1		73	16 5/8	16 1/2	16 1/2	
11 7/8	8 5/8	ScuddrNEsF	0.16	1.4		189	11 3/4	11 5/8	11 5/8	
20	13 3/8	SeaCnB	0.70	4.1	1	25	17 1/8	17 1/8	17 1/8	+1/8
16 1/4	14 5/8	SeaCT 4625	1.46	9.5		4	15 3/8	15 3/8	15 3/8	
67 1/4	23 5/8	S'gate			101	8286	55 5/8	54 1/4	54 3/4	+1 1/4
39 1/2	25 5/8	Seagrm	0.60	1.9	22	6017	32 7/8	32 3/8	32 3/8	-1/8
22 7/8	15 1/4	Seagull En			113	1911	22 5/8	22	22 5/8	+3/8
35 1/4	18	Sealed Air			27	851	34 7/8	33	34 1/2	+7/8
51 7/8	30 3/8	SearsR	0.92	1.9	13	13747	49 1/2	48 3/4	48 3/4	-1/4
22 1/4	16 3/8	SecCapSBI	1.24	5.6	25	341	22 1/8	21 3/4	22	+1/8
13	10 5/8	Seligm Sel	0.84	6.7		25	12 1/2	12 3/8	12 1/2	+1/4
30 1/4	13 5/8	Sensormat	0.22	1.1	72	5637	20 3/4	20 1/8	20 1/4	-5/8
35 1/8	21 7/8	SequaA	0.60	1.8	59	76	34 1/8	33 3/4	34 1/8	+1/8
41 1/2	23	SequaB	0.50	1.2	71	z100	41	41	41	
49 1/2	28 1/4	ServCp	0.48	1.0	27	3087	u49 1/2	48 1/8	48 3/4	+1/2
33 1/2	21 1/2	SvMstr	0.96	3.0	14	580	32 1/8	31 5/8	32 3/8	+3/4
7 7/8	4 1/8	ServMerch			18	968	5 3/8	5 1/4	5 1/4	
57 1/2	22 1/2	SGSThm			8	1103	37	35 1/4	36 1/4	+5/8
17 7/8	10 5/8	Shaw Ind	0.30	2.7	23	3002	11 5/8	11	11	-1/8
13 7/8	7 7/8	Shelby Wil	0.28	2.6	14	36	11	10 5/8	10 3/4	+1/8
83 1/2	64 1/4	ShellTr	3.30	4.1	17	735	81	79 3/4	80 1/4	-7/8
45 1/8	32	SherW	0.70	1.6	18	2375	44 5/8	43 5/8	44 5/8	+1/2
13 1/2	7 7/8	Shoneys			15	910	9	8 7/8	9	-1/8
30 1/8	24 1/4	TeleDs	0.83	3.6	2	1905	26	25 3/4	25 7/8	-1/8
28 3/4	19 3/4	Teklyn	1.50	5.4	9	1736	28 1/8	27 3/4	28	+1/8
49 5/8	33 1/4	TeleEspSA	1.37	2.9	17	1001	48	47 1/4	47 1/2	-1/8
41 1/2	23	Telmex	0.92	2.8	10	17872	33 1/8	32 7/8	32 7/8	-1/2
65 3/4	38 7/8	Templnl	1.20	2.6	9	3563	47 1/4	46 3/4	46 7/8	+1/4
22 1/8	16 5/8	TempltEmMk	0.27	1.4		76	19 7/8	19 5/8	19 5/8	-1/4
7 3/4	6 1/4	TempltGlob x	0.60	8.6		100	7	6 7/8	7	+1/8
7 1/2	6 3/4	TempltGlFd	0.60	8.6		580	7	6 7/8	7	+1/8
58 1/2	41 7/8	Tenneco	1.80	3.2	13	2861	56 5/8	55 7/8	55 7/8	-1/8
37 7/8	25 1/4	Teppco Pts	2.80	7.5	12	22	37 1/4	37 1/8	37 1/8	
43	16	Teradyne			6	12889	17 1/8	16 1/2	16 3/4	+1/8
7 1/8	3 1/8	Terex	0.06	0.9	2	227	6 3/4	6 5/8	6 3/4	+1/8
14 7/8	9 3/4	Terra Inds	0.12	0.9	6	5074	13 1/8	12 7/8	12 7/8	-1/8
12	7 1/4	Tesoro			3	748	8 1/2	8 1/4	8 1/2	+1/8
88 3/4	59 3/4	Texaco	3.20	3.7	33	6915	86 7/8	84 1/4	86	-7/8
89 1/4	30 1/8	Texas Ind	0.40	0.6	10	133	63 7/8	63 1/4	63 5/8	-1/8
63 1/2	34 1/2	TxInst	0.68	1.3	9	9888	52 1/8	50 3/4	50 7/8	-1
32 1/2	17	Texas Pac	0.40	1.3	24	29	30 3/8	29 3/4	29 3/4	-3/4
42 7/8	30 1/8	TxUtil	2.00	4.8	67	11185	42 1/4	41 3/8	41 3/8	-1
3 1/8	2 3/8	Textil Inds	1.10	41.9	2	31	2 3/8	2 5/8	2 5/8	
85 3/4	48 5/8	Textron	1.76	2.2	14	1693	83 1/2	80	80	-2 1/2
5 5/8	3 5/8	Thackeray			62	2	4 3/8	4 3/8	4 3/8	
19	13 1/8	Thai Cap	1.90	12.9		45	14 3/4	14 1/2	14 3/4	+1/4
28 1/2	19 3/4	Thai Fund	0.11	0.4		73	24 3/4	24 5/8	24 3/4	+1/8
63 1/8	28.21	ThermoElec	0.12	0.2	35	2397	61 7/8	59 1/2	59 1/2	-2 1/2
44 5/8	25 1/8	Thiokol	0.68	1.5	13	371	43 7/8	43 1/8	43 7/8	+1/2
80	62	ThBett	2.24	3.0	18	378	75 5/8	75	75	-1/8
24 1/8	13 5/8	Thomas Ind	0.40	1.9	17	206	21	20 5/8	21	+1/4
25 1/2	21 1/2	360 Comm			287	9322	23 7/8	22 7/8	23 7/8	+1

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

4 pm close March 29

NASDAQ NATIONAL MARKET

[illegible]

4 pm close March 29

AMEX COMPOSITE PRICES

[illegible]

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FT GUIDE TO THE WEEK

MONDAY 1

EU beef crisis meeting

European Union agriculture ministers gather in Luxembourg for an emergency meeting about the beef crisis. The meeting is expected to look closely at British proposals – which include a limited cull of older cattle – and measures for improving the beef market. This follows the worldwide ban by the European Commission on exports of British beef and beef products. Some states may raise the question of EU financial support for measures they have taken unilaterally to reassure consumers. On Tuesday the World Health Organisation in Geneva hosts a two-day meeting of international scientists to study the suspected link between so-called mad cow disease and a fatal human brain disease.

World's largest bank opens

The Bank of Tokyo-Mitsubishi, the world's largest bank, opens for business. The product of the merger of two of Japan's leading banks, the company will have total assets of more than $650bn (£427bn), dwarfing even its big Japanese rivals. Size is not everything, however. Analysts estimate it will still have traditionally poor Japanese rates of profitability, with a return on equity of about 3 per cent. This compares with a figure of about 15 per cent for some leading US banks.

China cuts tariffs

Tariff cuts on 4,000 items come into effect in China, where they will be reduced from about 35 per cent to an average of 24 per cent. Quotas on about 170 items will be eliminated. The measures follow an undertaking by President Jiang Zemin at the Asia-Pacific Economic Co-operation forum last November. Beijing will also end tax exemptions on capital equipment imports for ventures involving foreign investors. At the same time, the central bank will start open-market operations, trading short-term treasury bills.

Stormin' Norman in Bogota

Norman Schwarzkopf of Desert Storm fame will be in Bogota to discuss the use of military tactics in business. General Schwarzkopf, who retired from the US army and is on the boards of five companies, said: "Business is like war. In both cases the aim is to achieve concrete objectives, leading a large number of people, and with rigid financial constraints." While in the Gulf war his forces used bulldozers to overrun Iraqi troops in their bunkers and sent laser-guided bombs down the air shafts of enemy installations, in Bogota the general will be concentrating on business strategy and decision taking at management level.

Bangladesh PM to resign

Today, or certainly within days, Khaleda Zia, the prime minister of Bangladesh, is expected formally to stand down and begin the run-up to a May general election under a neutral, caretaker government. The move follows an opposition-boycotted poll which swept Mrs Zia's Bangladesh Nationalist Party to power in the 300-seat assembly but did nothing to abate violent protests against what was termed a "farcical" election. Mrs Zia has enacted constitutional reforms acceding to the opposition demands.

Remedial measures and compensation will dominate European Union discussions of a beef market turned upside down by so-called mad cow disease

IAEA nuclear safety forum

Ten years after the nuclear accident in Chernobyl, the International Atomic Energy Agency (IAEA) holds a forum in Vienna on the safety of Chernobyl-type nuclear reactors, built to the so-called RBMK design (to Apr 3). Experts will discuss the durability of the sarcophagus constructed around the Chernobyl reactor. Remedies for the other 15 RBMK reactors producing electricity in Russia, the Ukraine and Lithuania will also be considered. The safety record for these power plants has improved, but much work needs to be done, the IAEA says. The Chernobyl sarcophagus has become brittle and is in danger of bursting.

On-the-pot fines in Scotland

People in Scotland caught possessing small quantities of cannabis will be able to pay a fine by post without incurring a criminal record, instead of appearing in court. Under the new Criminal Justice Act for Scotland, minor drugs offences will be punished with fines of between £25 and £100 on the lines of a parking fine. Offenders will have the alternative of a court hearing – but if found guilty would have it on their criminal record. "It is no more a move towards decriminalisation than is cautioning in England," said the Home Office. No more, and no less. The measure should clear the courts of up to 3,000 small drugs cases a year.

Survey

Personal Tax Self Assessment (UK only).

Public holidays

Cyprus, Greece, Iran.

TUESDAY 2

G7 ministers meet on jobs

Employment ministers from the G7 group of leading industrialised countries conclude two days of talks in Lille, France, about trends in unemployment. Some finance ministers are also expected to attend. Although the meeting will probably not yield concrete action, the UK delegation is likely to trumpet the merits of its own flexible labour reforms while continental countries are expected to call for more pan-European action to reduce joblessness.

Walesa resumes Gdansk job

Lech Walesa, Poland's former president, returns to his job as an electrician at the near-bankrupt Gdansk shipyard. He will earn half the pay of the state security men who continue to guard him. Mr Walesa, who is not receiving a pension because Polish regulations do not provide one for former presidents of pre-pension age, is citing a lack of visible means of support as the reason for his going back. The gesture also has political significance – he is seeking to reunite his Solidarity constituency ahead of parliamentary elections. Mr Walesa's initial stint mending electric carts will be short, however. After Easter, he plans to fly to the US for a lecture tour.

Saleroom

One of only two panoramic views of London painted by Turner comes up for sale at Christie's. It shows the city on an autumn morning viewed from Battersea and should make £50,000. Also in the auction of British drawings and watercolours is a fine group of views of the Near East including works by David Roberts, Edward Lear and J.F. Lewis. At Sotheby's on Wednesday a rare Gainsborough drawing of a mythological subject, "Diana and Actaeon," should make nearer £100,000.

Monetary union report

Progress towards monetary union will be aired again when the European Monetary Institute – forerunner of the planned European central bank – produces its annual report. Some finger-wagging at potential backsliders on the way to pre-Emu convergence can be expected, as well as a detailed account of the preparations being made for a single currency. The EMI has previously expressed satisfaction at progress on inflation, but shown impatience with some countries' efforts to bring budgets and debt under control.

Perry in Cairo

US security assistance to Egypt will be discussed during a visit to Cairo by William Perry, the US defence secretary. Mr Perry is visiting Egyptian troops near the Suez Canal as well as US soldier-observers in the Sinai.

Public holidays

Iran.

WEDNESDAY 3

China-Japan talks

Bilateral relations and regional matters will dominate a meeting in Tokyo between Qian Qichen, the Chinese foreign minister, and Ryutaro Hashimoto, the Japanese prime minister. Mr Hashimoto is expected to urge Chinese restraint over Taiwan and may also express concern about reports that China is planning another nuclear test. Japanese officials fear another test would increase public pressure to step up existing moderate sanctions against Chinese nuclear testing. Last year, Japan froze Y12bn (£74m) of grant aid to China – a small proportion of total bilateral assistance – largely comprising soft loans.

Beijing piracy reviewed

Lee Sands, the assistant US trade representative, arrives in Beijing to continue a review of China's compliance with a 1995 agreement on curbing intellectual property rights abuses. The US has threatened "decisive action" if China fails to stop rampant piracy of US entertainment and information products such as CDs and computer software.

US trade mission to Bosnia

Ron Brown, the US commerce secretary, leads a mission of 12 chief executive officers to Bosnia and Croatia. The CEOs, from the tourism, telecommunications and infrastructure sectors, are being lured by the promise of an estimated $5.1bn (£3.35bn) in reconstruction aid from the EU, US and international institutions. Mr Brown will meet Croatian and Bosnian leaders and businessmen and the mayors of Tuzla and Zvornik.

Surveys

FT Review of Information Technology (all editions). FT Guide: The A-Z of the Internet (Europe and US only).

Public holidays

El Salvador, Guinea, Israel, Sri Lanka, Taiwan.

THURSDAY 4

Chirac in Beirut

Jacques Chirac, the French president, begins a mini-tour of the Middle East with a trip to Lebanon – the first official visit by a French head of state since Lebanon's independence in 1943. The purpose is to re-establish and strengthen political and cultural ties. Along with a visit to the country's troubled south to meet French soldiers serving with the United Nations, Mr Chirac will announce aid to help rebuild Lebanon's universities and the foundation of a business school in Beirut.

Yeltsin Ukraine trip doubted

Concern about compromising himself ahead of the presidential election may stop Boris Yeltsin, the Russian president, from proceeding with a two-day visit to Kiev, the Ukrainian capital, to try to resolve disputes over the Crimean peninsula and the division of the Black Sea fleet. The two biggest ex-Soviet republics have not even signed a standard friendship treaty, with Ukraine strongly resisting Moscow's push for reintegration.

Santer visits Budapest

Jacques Santer begins a two-day visit to Hungary, his first as president of the European Commission. Budapest will want further commitment on when its EU membership negotiations can start and clarification of entry criteria.

Public holidays

Easter starts in many countries.

FRIDAY 5

Tax self-assessment in UK

The first year of the new self-assessment tax regime begins. In April 1997, up to 9m taxpayers who normally fill in their own returns will receive the new form. Taxpayers, who will need to be able to produce back-up documentation, will also work out their tax liability – or leave it to the Inland Revenue.

Take That

The British pop group Take That gives a farewell concert in Rotterdam, ending the six-year career of arguably the biggest British band since The Beatles.

Public holidays

Markets in Christian world closed for Good Friday.

SATURDAY 6

Rowing

It can be weirdly ungripping, yet the annual Boat Race between Oxford and Cambridge universities, on the River Thames in London, still attracts a very large audience. The odds are – just – on Cambridge.

Public holidays

Botswana, Brazil, Chile, Ethiopia, Fiji, France, Guatemala, Hong Kong, Macau, Mexico, Papua New Guinea, Seychelles, Solomon Islands, Spain, Surinam, Thailand, Vatican City, Western Samoa, Zambia, Zimbabwe.

SUNDAY 7

Motor racing

Argentine grand prix, Buenos Aires.

Public holidays

Syria.

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news

Monday: The growth of M0, the narrow measure of Britain's money supply, is expected to have slowed in February. The UK purchasing managers' report will give the latest snapshot of the health of Britain's manufacturing industry. The US NAPM survey will give an indication of US manufacturing activity.

Tuesday: Economists think revised figures could show that US GDP grew more slowly in the fourth quarter of last year than previously thought. UK official reserves are believed to have fallen last month.

Wednesday: The UK chancellor and the governor of the Bank of England discuss UK monetary policy. Data published this week is expected to show that German industrial production and manufacturing output fell in February.

Thursday: The Canadian unemployment rate is expected to have remained stable last month. Figures on UK housing starts will provide some indication of the state of the housing market.

Friday: US non-farm payroll data are expected to show little change in employment levels last month. Italian consumer price inflation is thought to have eased last month.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Feb construction spending	0.5%	0.3%
April 1	US	Mar domestic automobile sales	7.3m	7.5m
	US	Mar domestic light truck sales	6.2m	6.4m
	US	Mar Nat Ass of Purchasing Mngrs	46.2%	45.2%
	Japan	Mar auto sales**	-	4.5%
	Japan	Mar forex reserves*	-	9.3%
	UK	Chart'd inst of purchasing managers	-	49.8%
	UK	Mar M0*	0.6%	1.0%
	UK	Mar M0**	5.4%	6.1%
	UK	Mar Halifax house prices	-	0.2%
Tues	US	4th qtr gross domestic product fnl	0.9%	0.9%
April 2	US	4th qtr GDP deflator final	-	2.2%
	US	4th qtr after tax corporate profit	-	2.9%
	US	Feb leading indicators	1.1%	-0.5%
	US	Johnson Redbook w/e Mar 30	-	-0.6%
	Japan	Feb Bank Japan corp service prices*	-	-0.1%
	Japan	Feb Bnk Japan corp service prices**	-	-0.7%
	UK	Mar official reserves	-	-$97m
Wed	US	Feb personal income	0.6%	0.1%
April 3	US	Feb pers consumption expenditure	0.7%	-0.5%
	US	Feb factory orders	-1.2%	0.5%
	US	Feb factory inventories	-	0.7%
	Canada	Mar foreign reserves (change in)	-$0.1bn	-$0.2bn
	Canada	Feb building permits*	2.3%	7.1%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Thur	US	Initial claims w/e Mar 30	380,000	429,000
April 4	US	State benefits w/e Mar 23	-	2.65m
	US	Feb home completions	-	1.36m
	US	M2 w/e March 25	unch	$10.3bn
	UK	Feb housing starts	-	-6.0%
	Canada	Mar employment*†	0.1%	0.3%
	Canada	Mar unemployment rate	9.6%	9.8%
Fri	US	Mar non-farm payrolls	75,000	705,000
April 5	US	Mar manufacturing payrolls	-35,000	26,000
	US	Mar hourly earnings	0.2%	-0.1%
	US	Mar average workweek	-	34.5
	US	Mar unemployment rate	5.6%	5.5%
	US	Feb consumer credit	$9.7bn	$10.3bn
	Italy	Mar consumer price indx*	0.3%	0.3%
	Italy	Mar consumer price indx**	4.5%	5.0%
During the week...				
	Japan	Feb current a/c (IMF)	Y730.0bn	Y1.2Tr
	Japan	Feb trade balance (IMF)	-	Y1.3Tr
	Japan	Feb foreign bond investment	-	Y484.0bn
	Germany	Feb indust product'n, pan-Germany*	-0.8%	1.6%
	Germany	Feb manuf'g output, pan-Germany*	-1.4%	2.6%
	Germany	Feb final M3 (4th qtr, '94)	-	4.1%
	Germany	Feb final M3 (4th qtr, '95)	-	12.8%
	Germany	Feb manuf'g orders, pan-Germany*	-0.3%	-0.4%

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD
No.9,033 Set by GRIFFIN

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday April 11, marked Monday Crossword 9,033 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday April 15. Please allow 28 days for delivery of prizes.

Name..........

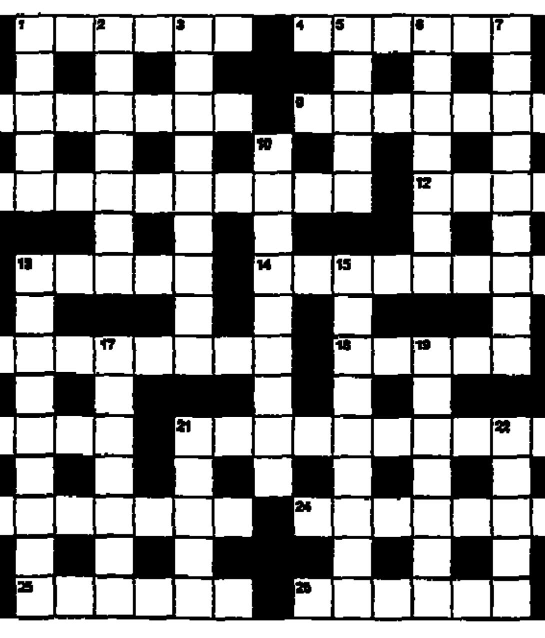
Address..........

ACROSS

1 Features a former copper in front of building (6)
4 A burden on the other side (6)
8 In child's play cast lacks a fervour (7)
9 From the bravest I get this hint (7)
11 Unusual saris selected in Hebrews (10)
12 Doctor against using a night-light? (4)
13, 18 Where firm rebuilt a vast bar (5,5)
13, 25 Where firm gets roads data wrong (5,6)
13, 26 Where firm sold least mixture (5,3,3)
14 Plan to remove piano in garret used by sailors (8)
16 Extra blade on the reverse side (8)
18 See 13 across
20 Northern beer's brought back ardour! (4)
21 A selection of kind chaps, in a way (10)
23 They accompany kinky corsets! (7)
24 Doctor's note I've included as different (7)
25 See 13 across
26 See 13 across

DOWN

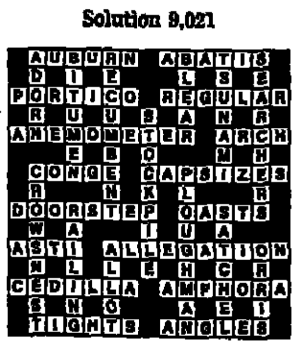
1 Data from first book of the Bible (5)
2 Left in dock fool produces weapon (7)
3 Is like old Penny, first to annoy (9)
5 Caught topless dress on plant (5)
6 Not to upset master sits in seat (7)
7 Miss being in Rome? (9)
10 Fixed faulty set on time, moving quickly (9)
13 Refined sort of engineer dies swimming (9)
15 One man in queue wanted loose liver (9)
17 Managed to love surly man without animosity (7)
19 A smile's suspect when without purpose (7)
21 In fact education played a part (5)
22 When article turned up by student of noses (5)



Winners 9,021

M. Bugden, Bexhill, East Sussex
Mrs M Blythe, Wistaston, Cheshire
Mrs A.M. Hewitt, Woodsetts, Notts
N James, Hove, Sussex
M.D. Morrice, Guildford, Surrey
F. Woolley, Marlow, Bucks

Solution 9,021



JOTTER PAD

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